

By: Thierry

H.B. No. 3920

A BILL TO BE ENTITLED

1 AN ACT

2 relating to a limitation on the total amount of ad valorem taxes
3 that may be imposed by a taxing unit on the residence homestead of a
4 lower-income individual that is located in a homestead preservation
5 district.

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

7 SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by
8 adding Section 11.263 to read as follows:

9 Sec. 11.263. LIMITATION OF TAX ON CERTAIN HOMESTEADS IN
10 HOMESTEAD PRESERVATION DISTRICT. (a) In this section:

11 (1) "Homestead preservation district" means a
12 district as that term is defined by Section 373A.002, Local
13 Government Code.

14 (2) "Lower-income individual" means an individual
15 whose household income, for the household located at the
16 individual's residence homestead, is not greater than 60 percent of
17 the area median family income, adjusted for household size, for the
18 metropolitan statistical area in which the residence homestead is
19 located, as determined annually by the United States Department of
20 Housing and Urban Development.

21 (3) "Residence homestead" has the meaning assigned by
22 Section 11.13.

23 (b) The governing body of a taxing unit may by official
24 action adopt a limitation on the total annual amount of ad valorem

1 taxes that may be imposed by the taxing unit on the residence
2 homestead of a lower-income individual that is located in a
3 homestead preservation district.

4 (c) If a taxing unit adopts the limitation under this
5 section, the taxing unit may not increase the total annual amount of
6 ad valorem taxes imposed by the taxing unit on a residence homestead
7 described by Subsection (b) to an amount that exceeds the greater
8 of:

9 (1) the amount of ad valorem taxes the taxing unit
10 imposed on the residence homestead in the first tax year in which:

11 (A) the limitation under this section was in
12 effect; and

13 (B) the lower-income individual received a
14 residence homestead exemption for the property; or

15 (2) the amount determined under Subsection (d).

16 (d) If an individual makes an improvement to a residence
17 homestead to which the limitation under this section applies, other
18 than a repair and other than an improvement required to comply with
19 governmental requirements, a taxing unit that has adopted the
20 limitation may increase the amount of taxes on the homestead for the
21 first tax year the value of the homestead is increased on the
22 appraisal roll as a result of the improvement. The amount of the tax
23 increase is determined by applying the current tax rate of the
24 taxing unit to the difference between the appraised value of the
25 homestead with the improvement and the appraised value the
26 homestead would have had without the improvement. A limitation
27 under this section then applies to the increased amount of taxes

1 imposed by the taxing unit on the residence homestead until another
2 improvement is made.

3 (e) An improvement to property that would otherwise
4 constitute an improvement under Subsection (d) is not treated as an
5 improvement under that subsection if the improvement is a
6 replacement structure for a structure that was rendered
7 uninhabitable or unusable by a casualty or by wind or water damage.
8 For purposes of appraising the property in the tax year in which the
9 structure would have constituted an improvement under Subsection
10 (d), the replacement structure is considered to be an improvement
11 under that subsection only if:

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

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

18 (f) Except as provided by Subsection (h) or (j), a
19 limitation under this section expires on January 1 if:

20 (1) the property is not the residence homestead of the
21 individual entitled to the limitation for the preceding tax year;
22 or

23 (2) none of the owners of the property qualify as a
24 lower-income individual.

25 (g) If the appraisal roll provides for taxation of appraised
26 value for a prior year because a limitation under this section was
27 erroneously allowed, the tax assessor for the taxing unit shall add

1 as back taxes due, as provided by Section 26.09(d), the positive
2 difference if any between the tax that should have been imposed for
3 that tax year and the tax that was imposed because of the provisions
4 of this section.

5 (h) If an individual who qualifies for a limitation under
6 this section dies, the surviving spouse of the individual is
7 entitled to the limitation on taxes imposed by the taxing unit on
8 the residence homestead of the individual if the homestead of the
9 individual:

10 (1) is the residence homestead of the surviving spouse
11 on the date that the individual dies; and

12 (2) remains the residence homestead of the surviving
13 spouse.

14 (i) The limitation under this section does not expire
15 because the owner of an interest in the property conveys the
16 interest to a qualifying trust as defined in Section 11.13(j) if the
17 owner or the owner's spouse is a trustor of the trust and is
18 entitled to occupy the property.

19 (j) A limitation under this section does not expire if the
20 owner of the structure qualifies for an exemption under Section
21 11.13 under the circumstances described in Section 11.135(a).

22 (k) For each school district in an appraisal district that
23 adopts the limitation under this section, the chief appraiser shall
24 determine the portion of the appraised value of residence
25 homesteads of individuals on which school district taxes are not
26 imposed in a tax year because of the limitation under this section.

27 That portion is calculated by determining the taxable value that,

1 if multiplied by the tax rate adopted by the school district for the
2 tax year, would produce an amount equal to the amount of tax that
3 would have been imposed by the school district on those homesteads
4 if the limitation under this section was not in effect, but that was
5 not imposed because of that limitation. The chief appraiser shall
6 determine that taxable value and certify it to the comptroller as
7 soon as practicable for each tax year.

8 SECTION 2. Sections 23.19(b) and (g), Tax Code, are amended
9 to read as follows:

10 (b) If an appraisal district receives a written request for
11 the appraisal of real property and improvements of a cooperative
12 housing corporation according to the separate interests of the
13 corporation's stockholders, the chief appraiser shall separately
14 appraise the interests described by Subsection (d) if the
15 conditions required by Subsections (e) and (f) have been met.
16 Separate appraisal under this section is for the purposes of
17 administration of tax exemptions, determination of applicable
18 limitations of taxes under Section 11.26, ~~[or]~~ 11.261, or 11.263,
19 and apportionment by a cooperative housing corporation of property
20 taxes among its stockholders but is not the basis for determining
21 value on which a tax is imposed under this title. A stockholder
22 whose interest is separately appraised under this section may
23 protest and appeal the appraised value in the manner provided by
24 this title for protest and appeal of the appraised value of other
25 property.

26 (g) A tax bill or a separate statement accompanying the tax
27 bill to a cooperative housing corporation for which interests of

1 stockholders are separately appraised under this section must
2 state, in addition to the information required by Section 31.01,
3 the appraised value and taxable value of each interest separately
4 appraised. Each exemption claimed as provided by this title by a
5 person entitled to the exemption shall also be deducted from the
6 total appraised value of the property of the corporation. The total
7 tax imposed by a taxing unit [~~school district, county,~~
8 ~~municipality, or junior college district~~] shall be reduced by any
9 amount that represents an increase in taxes attributable to
10 separately appraised interests of the real property and
11 improvements that are subject to the limitation of taxes prescribed
12 by Section 11.26, [~~or~~] 11.261, or 11.263. The corporation shall
13 apportion among its stockholders liability for reimbursing the
14 corporation for property taxes according to the relative taxable
15 values of their interests.

16 SECTION 3. Sections 26.012(6), (13), and (14), Tax Code,
17 are amended to read as follows:

18 (6) "Current total value" means the total taxable
19 value of property listed on the appraisal roll for the current year,
20 including all appraisal roll supplements and corrections as of the
21 date of the calculation, less the taxable value of property
22 exempted for the current tax year for the first time under Section
23 11.31 or 11.315, except that:

24 (A) the current total value for a school district
25 excludes:

26 (i) the total value of homesteads that
27 qualify for a tax limitation as provided by Section 11.26; and

1 (ii) new property value of property that is
2 subject to an agreement entered into under Chapter 313; ~~and~~

3 (B) the current total value for a county,
4 municipality, or junior college district excludes the total value
5 of homesteads that qualify for a tax limitation provided by Section
6 11.261 applicable to the taxing unit; and

7 (C) the current total value for a taxing unit
8 excludes the total value of homesteads that qualify for a tax
9 limitation provided by Section 11.263 applicable to the taxing
10 unit.

11 (13) "Last year's levy" means the total of:

12 (A) the amount of taxes that would be generated
13 by multiplying the total tax rate adopted by the governing body in
14 the preceding year by the total taxable value of property on the
15 appraisal roll for the preceding year, including:

16 (i) taxable value that was reduced in an
17 appeal under Chapter 42; and

18 (ii) all appraisal roll supplements and
19 corrections other than corrections made pursuant to Section
20 25.25(d), as of the date of the calculation, except that last year's
21 taxable value for a school district excludes the total value of
22 homesteads that qualified for a tax limitation as provided by
23 Section 11.26, ~~and~~ last year's taxable value for a county,
24 municipality, or junior college district excludes the total value
25 of homesteads that qualified for a tax limitation as provided by
26 Section 11.261 applicable to the taxing unit, and last year's
27 taxable value for a taxing unit excludes the total value of

1 homesteads that qualified for a tax limitation as provided by
2 Section 11.263 applicable to the taxing unit; and

3 (B) the amount of taxes refunded by the taxing
4 unit in the preceding year for tax years before that year.

5 (14) "Last year's total value" means the total taxable
6 value of property listed on the appraisal roll for the preceding
7 year, including all appraisal roll supplements and corrections,
8 other than corrections made pursuant to Section 25.25(d), as of the
9 date of the calculation, except that:

10 (A) last year's taxable value for a school
11 district excludes the total value of homesteads that qualified for
12 a tax limitation as provided by Section 11.26; ~~and~~

13 (B) last year's taxable value for a county,
14 municipality, or junior college district excludes the total value
15 of homesteads that qualified for a tax limitation as provided by
16 Section 11.261 applicable to the taxing unit; and

17 (C) last year's taxable value for a taxing unit
18 excludes the total value of homesteads that qualified for a tax
19 limitation as provided by Section 11.263 applicable to the taxing
20 unit.

21 SECTION 4. Section 44.004(c), Education Code, is amended to
22 read as follows:

23 (c) The notice of public meeting to discuss and adopt the
24 budget and the proposed tax rate may not be smaller than one-quarter
25 page of a standard-size or a tabloid-size newspaper, and the
26 headline on the notice must be in 18-point or larger type. Subject
27 to Subsection (d), the notice must:

1 (1) contain a statement in the following form:

2 "NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE

3 "The (name of school district) will hold a public meeting at
4 (time, date, year) in (name of room, building, physical location,
5 city, state). The purpose of this meeting is to discuss the school
6 district's budget that will determine the tax rate that will be
7 adopted. Public participation in the discussion is invited." The
8 statement of the purpose of the meeting must be in bold type. In
9 reduced type, the notice must state: "The tax rate that is
10 ultimately adopted at this meeting or at a separate meeting at a
11 later date may not exceed the proposed rate shown below unless the
12 district publishes a revised notice containing the same information
13 and comparisons set out below and holds another public meeting to
14 discuss the revised notice.";

15 (2) contain a section entitled "Comparison of Proposed
16 Budget with Last Year's Budget," which must show the difference,
17 expressed as a percent increase or decrease, as applicable, in the
18 amounts budgeted for the preceding fiscal year and the amount
19 budgeted for the fiscal year that begins in the current tax year for
20 each of the following:

21 (A) maintenance and operations;

22 (B) debt service; and

23 (C) total expenditures;

24 (3) contain a section entitled "Total Appraised Value
25 and Total Taxable Value," which must show the total appraised value
26 and the total taxable value of all property and the total appraised
27 value and the total taxable value of new property taxable by the

1 district in the preceding tax year and the current tax year as
2 calculated under Section 26.04, Tax Code;

3 (4) contain a statement of the total amount of the
4 outstanding and unpaid bonded indebtedness of the school district;

5 (5) contain a section entitled "Comparison of Proposed
6 Rates with Last Year's Rates," which must:

7 (A) show in rows the tax rates described by
8 Subparagraphs (i)-(iii), expressed as amounts per \$100 valuation of
9 property, for columns entitled "Maintenance & Operations,"
10 "Interest & Sinking Fund," and "Total," which is the sum of
11 "Maintenance & Operations" and "Interest & Sinking Fund":

12 (i) the school district's "Last Year's
13 Rate";

14 (ii) the "Rate to Maintain Same Level of
15 Maintenance & Operations Revenue & Pay Debt Service," which:

16 (a) in the case of "Maintenance &
17 Operations," is the tax rate that, when applied to the current
18 taxable value for the district, as certified by the chief appraiser
19 under Section 26.01, Tax Code, and as adjusted to reflect changes
20 made by the chief appraiser as of the time the notice is prepared,
21 would impose taxes in an amount that, when added to state funds to
22 be distributed to the district under Chapter 42, would provide the
23 same amount of maintenance and operations taxes and state funds
24 distributed under Chapter 42 per student in average daily
25 attendance for the applicable school year that was available to the
26 district in the preceding school year; and

27 (b) in the case of "Interest & Sinking

1 Fund," is the tax rate that, when applied to the current taxable
2 value for the district, as certified by the chief appraiser under
3 Section 26.01, Tax Code, and as adjusted to reflect changes made by
4 the chief appraiser as of the time the notice is prepared, and when
5 multiplied by the district's anticipated collection rate, would
6 impose taxes in an amount that, when added to state funds to be
7 distributed to the district under Chapter 46 and any excess taxes
8 collected to service the district's debt during the preceding tax
9 year but not used for that purpose during that year, would provide
10 the amount required to service the district's debt; and

11 (iii) the "Proposed Rate";

12 (B) contain fourth and fifth columns aligned with
13 the columns required by Paragraph (A) that show, for each row
14 required by Paragraph (A):

15 (i) the "Local Revenue per Student," which
16 is computed by multiplying the district's total taxable value of
17 property, as certified by the chief appraiser for the applicable
18 school year under Section 26.01, Tax Code, and as adjusted to
19 reflect changes made by the chief appraiser as of the time the
20 notice is prepared, by the total tax rate, and dividing the product
21 by the number of students in average daily attendance in the
22 district for the applicable school year; and

23 (ii) the "State Revenue per Student," which
24 is computed by determining the amount of state aid received or to be
25 received by the district under Chapters 42, 43, and 46 and dividing
26 that amount by the number of students in average daily attendance in
27 the district for the applicable school year; and

1 (C) contain an asterisk after each calculation
2 for "Interest & Sinking Fund" and a footnote to the section that, in
3 reduced type, states "The Interest & Sinking Fund tax revenue is
4 used to pay for bonded indebtedness on construction, equipment, or
5 both. The bonds, and the tax rate necessary to pay those bonds,
6 were approved by the voters of this district.";

7 (6) contain a section entitled "Comparison of Proposed
8 Levy with Last Year's Levy on Average Residence," which must:

9 (A) show in rows the information described by
10 Subparagraphs (i)-(iv), rounded to the nearest dollar, for columns
11 entitled "Last Year" and "This Year":

12 (i) "Average Market Value of Residences,"
13 determined using the same group of residences for each year;

14 (ii) "Average Taxable Value of Residences,"
15 determined after taking into account the limitation on the
16 appraised value of residences under Section 23.23, Tax Code, and
17 after subtracting all homestead exemptions applicable in each year,
18 other than exemptions available only to disabled persons or persons
19 65 years of age or older or their surviving spouses, and using the
20 same group of residences for each year;

21 (iii) "Last Year's Rate Versus Proposed
22 Rate per \$100 Value"; and

23 (iv) "Taxes Due on Average Residence,"
24 determined using the same group of residences for each year; and

25 (B) contain the following information:
26 "Increase (Decrease) in Taxes" expressed in dollars and cents,
27 which is computed by subtracting the "Taxes Due on Average

1 Residence" for the preceding tax year from the "Taxes Due on Average
2 Residence" for the current tax year;

3 (7) contain the following statement in bold print:
4 "Under state law, the dollar amount of school taxes imposed on the
5 residence of a person 65 years of age or older or of the surviving
6 spouse of such a person, if the surviving spouse was 55 years of age
7 or older when the person died, may not be increased above the amount
8 paid in the first year after the person turned 65, regardless of
9 changes in tax rate or property value.";

10 (8) contain the following statement in bold print:
11 "Notice of Rollback Rate: The highest tax rate the district can
12 adopt before requiring voter approval at an election is (the school
13 district rollback rate determined under Section 26.08, Tax Code).
14 This election will be automatically held if the district adopts a
15 rate in excess of the rollback rate of (the school district rollback
16 rate)."; ~~and~~

17 (9) contain a section entitled "Fund Balances," which
18 must include the estimated amount of interest and sinking fund
19 balances and the estimated amount of maintenance and operation or
20 general fund balances remaining at the end of the current fiscal
21 year that are not encumbered with or by corresponding debt
22 obligation, less estimated funds necessary for the operation of the
23 district before the receipt of the first payment under Chapter 42 in
24 the succeeding school year; and

25 (10) contain, if the school district has adopted the
26 limitation under Section 11.263, Tax Code, the following statement
27 in bold print: "Under state law, the dollar amount of school taxes

1 imposed on a residence homestead of a lower-income individual in a
2 homestead preservation district may not be increased above the
3 amount of school taxes imposed on the property in the year in which
4 the individual first qualified for the limitation, regardless of
5 changes in tax rate or property value."

6 SECTION 5. Section 403.302(d), Government Code, is amended
7 to read as follows:

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

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

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

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

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

23 (A) is within a reinvestment zone created on or
24 before May 31, 1999, or is proposed to be included within the
25 boundaries of a reinvestment zone as the boundaries of the zone and
26 the proposed portion of tax increment paid into the tax increment
27 fund by a school district are described in a written notification

1 provided by the municipality or the board of directors of the zone
2 to the governing bodies of the other taxing units in the manner
3 provided by former Section 311.003(e), Tax Code, before May 31,
4 1999, and within the boundaries of the zone as those boundaries
5 existed on September 1, 1999, including subsequent improvements to
6 the property regardless of when made;

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

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

13 (5) the total dollar amount of any captured appraised
14 value of property that:

15 (A) is within a reinvestment zone:

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

18 (ii) the project plan for which includes
19 the alteration, remodeling, repair, or reconstruction of a
20 structure that is included on the National Register of Historic
21 Places and requires that a portion of the tax increment of the zone
22 be used for the improvement or construction of related facilities
23 or for affordable housing;

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

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

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

3 (7) the difference between the comptroller's estimate
4 of the market value and the productivity value of land that
5 qualifies for appraisal on the basis of its productive capacity,
6 except that the productivity value estimated by the comptroller may
7 not exceed the fair market value of the land;

8 (8) the portion of the appraised value of residence
9 homesteads of individuals who receive a tax limitation under
10 Section 11.26 or 11.263, Tax Code, on which school district taxes
11 are not imposed in the year that is the subject of the study,
12 calculated as if the residence homesteads were appraised at the
13 full value required by law;

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

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

24 (B) action taken by the district under Subchapter
25 B or C, Chapter 313, Tax Code, before the expiration of the
26 subchapter;

27 (10) the market value of all tangible personal

1 property, other than manufactured homes, owned by a family or
2 individual and not held or used for the production of income;

3 (11) the appraised value of property the collection of
4 delinquent taxes on which is deferred under Section 33.06, Tax
5 Code;

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

9 (13) the amount by which the market value of a
10 residence homestead to which Section 23.23, Tax Code, applies
11 exceeds the appraised value of that property as calculated under
12 that section.

13 SECTION 6. This Act takes effect January 1, 2018, but only
14 if the constitutional amendment proposed by the 85th Legislature,
15 Regular Session, 2017, authorizing the governing body of a
16 political subdivision to limit the total amount of ad valorem taxes
17 that may be imposed by the political subdivision on the residence
18 homestead of certain lower-income individuals is approved by the
19 voters. If that amendment is not approved by the voters, this Act
20 has no effect.