

BILL ANALYSIS

Senate Research Center
86R16414 CJC-D

S.B. 5
By: Bettencourt et al.
Property Tax
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, homeowners are entitled to an exemption of \$25,000 of the value of their home for school taxes. S.B. 5 reduces the property tax burden on homeowners by increasing the homestead exemption for school district taxes from \$25,000 to \$35,000.

In addition, S.B. 5 holds harmless the school districts as a result of the increased homestead exemption. S.B. 5 is drafted to insure that all homeowners feel the benefit of the full \$10,000 increase exemption.

S.B. 5 uses revenue attributable to oil and gas production taxes to increase the amount of the exemption of residence homesteads from ad valorem taxation by a school district. This will require the state to provide funds to schools to make them whole for the tax revenue they will lose due to the increased exemption. It will not affect their ability to set tax rates or any other aspect of their local control.

As proposed, S.B. 5 amends current law relating to an increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district, a 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 the protection of school districts against the resulting loss in local revenue.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.13(b), Tax Code, to increase from \$25,000 to \$35,000 the appraised value of an adult's residence homestead of which an adult is entitled to exemption from taxation by a school district.

SECTION 2. Amends Section 11.26(a), Tax Code, to change references to the 2014 tax year to the 2019 tax year and references to the 2015 tax year to the 2020 tax year in calculating the residence homestead exemption under Section 11.13(c) for individuals 65 years of age or older.

SECTION 3. Amends Subchapter A, Chapter 41, Education Code, by adding Section 41.0012, as follows:

Sec. 41.0012. COMPUTATION OF WEALTH PER STUDENT FOR 2020-2021 SCHOOL YEAR. Provides that notwithstanding any other provision of this chapter (Equalized Wealth Level), in computing a school district's wealth per student for the 2020–2021 school year, a school district's taxable value of property under Subchapter M (Study of School District Property Values), 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 2020 tax year as proposed by the 86th

Legislature, Regular Session, 2019, had been in effect for the 2019 tax year. Provides that this section expires September 1, 2021.

SECTION 4. Amends Section 42.2518, Education Code, by amending Subsections (a) and (b) and adding Subsection (a-1), as follows:

(a) Extends a provision beginning with the 2017–2018 school year that entitles a school district to additional state aid in certain circumstances through the 2019–2020 school year.

(a-1) Provides that beginning with the 2020–2021 school year, a school district is entitled to additional state aid to the extent that state and local revenue under this chapter (Foundation School Program) 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, 2019, 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 86th Legislature, Regular Session, 2019, had not occurred.

(b) Provides that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for:

(1) the 2014 tax year is used for the purpose of determining additional state aid under Subsection (a); and

(2) the 2019 tax year is used for the purpose of determining additional state aid under Subsection (a-1). Deletes existing text relating to determination of additional state aid under this section.

SECTION 5. Amends Section 42.252, Education Code, by adding Subsection (e), as follows:

(e) Provides that notwithstanding any other provision of this chapter, in computing each school district's local share of program cost under this section for the 2020–2021 school year, a school district's taxable value of 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 2020 tax year as proposed by the 86th Legislature, Regular Session, 2019, had been in effect for the 2019 tax year. Provides that this subsection expires September 1, 2021.

SECTION 6. Amends Section 42.302, Education Code, by adding Subsection (g), as follows:

(g) Provides that notwithstanding any other provision of this chapter, in computing a school district's enrichment tax rate ("DTR") and local revenue ("LR") for the 2020–2021 school year, a school district's taxable value of 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 2020 tax year as proposed by the 86th Legislature, Regular Session, 2019, had been in effect for the 2019 tax year. Provides that this subsection expires September 1, 2021.

SECTION 7. Amends Section 46.003, Education Code, by adding Subsection (i), as follows:

(i) Provides that notwithstanding any other provision of this chapter (Assistance With Instructional Facilities and Payment of Existing Debt), in computing a district's bond tax rate ("BTR") and taxable value of property ("DPV") for the 2020–2021 school year, a school district's taxable value of 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 2020 tax year as proposed

by the 86th Legislature, Regular Session, 2019, had been in effect for the 2019 tax year. Provides that this subsection expires September 1, 2021.

SECTION 8. Amends Section 46.032, Education Code, by adding Subsection (d), as follows:

(d) Provides that notwithstanding any other provision of this chapter, in computing a district's existing debt tax rate ("EDTR") and taxable value of property ("DPV") for the 2020–2021 school year, a school district's taxable value of 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 2020 tax year as proposed by the 86th Legislature, Regular Session, 2019, had been in effect for the 2019 tax year. Provides that this subsection expires September 1, 2021.

SECTION 9. Amends Section 46.071, Education Code, by amending Subsections (a), (b), and (c) and adding Subsections (a-1), (b-1), and (c-1), as follows:

(a) Extends a provision beginning with the 2015–2016 school year that entitles a school district to additional state aid in certain circumstances through the 2019–2020 school year.

(a-1) Entitles a school district, beginning with the 2020–2021 school year, to additional state aid under this subchapter (State Aid for Homestead Exemption and Limitation on Tax Increases) 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, 2019, 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 86th Legislature, Regular Session, 2019, had not occurred.

(b) Provides that subject to Subsections (c), (d), and (e), rather than Subsections (c) and (e), additional state aid under this section through the 2019–2020 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 S.J.R. 1, 84th Legislature, Regular Session, 2015, is not offset by a gain in state aid under this chapter.

(b-1) Provides that subject to Subsections (c-1), (d), and (e), additional state aid under this section beginning with the 2020–2021 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 86th Legislature, Regular Session, 2019, is not offset by a gain in state aid under this chapter.

(c) Provides that for the purpose of determining state aid under Subsections (a) and (b), rather than under this section, local interest and sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of September 1, 2015, including refunding of that debt, subject to Section 46.061 (State Assistance for Refinancing).

(c-1) Provides that 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 September 1, 2019, including refunding of that debt, subject to Section 46.061. Provides that the limitation imposed by Section 46.034(a) does not apply for the purpose of determining state aid under this section.

SECTION 10. Provides that the changes in law made by this Act to Sections 11.13 and 11.26, Tax Code, apply only to an ad valorem tax year that begins on or after January 1, 2020.

SECTION 11. Provides that this Act takes effect January 1, 2020, but only if the constitutional amendment proposed by the 86th Legislature, Regular Session, 2019, to use revenue attributable to oil and gas production taxes to increase the amount of the exemption of residence homesteads from ad valorem taxation by a school district and reduce 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 is approved by the voters. Provides that if that constitutional amendment is not approved by the voters, this Act has no effect.