By:  Menéndez, Johnson S.B. No. 1391

A BILL TO BE ENTITLED

AN ACT

relating to an increase in the amount of the residence homestead exemption from ad valorem taxation by a school district and the increase of the exemption amount in subsequent years to reflect inflation in homestead values, a reduction of the limitation on the total amount of ad valorem taxes that may be imposed by a school district on the homestead of a disabled or elderly person to reflect the increased exemption amounts, and the protection of school districts against the resulting loss in local revenue.

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

SECTION 1.  Section 11.13, Tax Code, is amended by amending Subsection (b) and adding Subsection (b-1) to read as follows:

(b) An adult is entitled to exemption from taxation by a school district of a portion [~~$15,000~~] of the appraised value of the adult's residence homestead in the amount provided by this subsection, except that only $5,000 [~~$10,000~~] of the exemption applies [~~does not apply~~] to an entity operating under former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code. For the 2020 tax year, the amount of the exemption is $50,000. For each subsequent tax year, the amount of the exemption shall be calculated by the comptroller by multiplying the amount of the exemption under this subsection for the preceding tax year by the residence homestead inflation rate and adding that amount to the amount of that exemption for the preceding tax year. Each year, not later than March 15, the comptroller shall calculate the amount of the exemption for the current tax year and publish that amount in the Texas Register.

(b-1) In this section, "residence homestead inflation rate" means the positive amount, if any, expressed in decimal form rounded to the nearest thousandth, computed by determining the percentage change in the median market value of residence homesteads in this state for the preceding calendar year as compared to the calendar year preceding that calendar year.

SECTION 2.  Section 11.26(a), Tax Code, is amended to read as follows:

(a)  The tax officials shall appraise the property to which this section applies and calculate taxes as on other property, but if the tax so calculated exceeds the limitation imposed by this section, the tax imposed is the amount of the tax as limited by this section, except as otherwise provided by this section. A school district may not increase the total annual amount of ad valorem tax it imposes on the residence homestead of an individual 65 years of age or older or on the residence homestead of an individual who is disabled, as defined by Section 11.13, above the amount of the tax it imposed in the first tax year in which the individual qualified that residence homestead for the applicable exemption provided by Section 11.13(c) for an individual who is 65 years of age or older or is disabled. If the individual qualified that residence homestead for the exemption after the beginning of that first year and the residence homestead remains eligible for the same exemption for the next year, and if the school district taxes imposed on the residence homestead in the next year are less than the amount of taxes imposed in that first year, a school district may not subsequently increase the total annual amount of ad valorem taxes it imposes on the residence homestead above the amount it imposed in the year immediately following the first year for which the individual qualified that residence homestead for the same exemption, except as provided by Subsection (b). If the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals 65 years of age or older ~~or disabled~~ was a tax year before the 2020 [~~1997~~] tax year, the amount of the limitation provided by this section is the amount of tax the school district imposed for the 2019 [~~1996~~] tax year less an amount equal to the amount determined by multiplying $20,000 [~~$10,000~~] times the tax rate of the school district for the 2020 [~~1997~~] tax year, plus any 2020 [~~1997~~] tax attributable to improvements made in 2019 [~~1996~~], other than improvements made to comply with governmental regulations or repairs. If the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals 65 years of age or older or disabled was a tax year before a tax year in which the amount of the exemption provided by Section 11.13(b) is increased to reflect inflation in residence homestead values, the amount of the limitation provided by this section is the amount of tax the school district imposed for the tax year preceding the tax year in which the amount of the exemption is increased less an amount equal to the amount determined by multiplying the amount of the increase times the tax rate of the school district for the year in which the amount of the exemption is increased, plus any tax for the tax year in which the amount of the exemption is increased attributable to improvements made in the preceding tax year, other than improvements made to comply with governmental regulations or repairs. Except as provided by Subsection (b), a limitation on tax increases provided by this section on a residence homestead computed under this subsection continues to apply to the homestead in subsequent tax years until the limitation expires.

SECTION 3.  Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0011 to read as follows:

Sec. 41.0011. COMPUTATION OF WEALTH PER STUDENT FOR SCHOOL YEAR IN WHICH HOMESTEAD EXEMPTION INCREASED. Notwithstanding any other provision of this chapter, in computing a school district's wealth per student for a school year that begins in a tax year in which the amount of the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, is increased and the amount of the limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, is reduced to reflect the increased exemption amount, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, had been in effect for the preceding tax year.

SECTION 4.  Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2512 to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a)  This section applies only to a school year that begins in a tax year in which the amount of the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, is increased and the amount of the limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, is reduced to reflect the increased exemption amount.

(b)  Notwithstanding any other provision of this chapter, in computing state aid to a school district for a school year to which this section applies, the district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption and the additional limitation on tax increases described by Subsection (a) had been in effect for the preceding tax year.

(c)  A school district is entitled to additional state aid for a school year to which this section applies to the extent that state aid under this chapter based on the determination of the district's taxable value of property as provided by Subsection (b) does not fully compensate the district for ad valorem tax revenue lost due to the increase in the residence homestead exemption and the additional limitation on tax increases described by Subsection (a). The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this subsection. A determination by the commissioner under this subsection is final and may not be appealed.

SECTION 5.  Chapter 46, Education Code, is amended by adding Subchapter D to read as follows:

SUBCHAPTER D. ADDITIONAL STATE ASSISTANCE

Sec. 46.101. ADDITIONAL STATE ASSISTANCE FOR HOMESTEAD EXEMPTION. (a)  A school district that does not receive state assistance under Subchapter B for the district's tax effort to pay the principal of and interest on eligible bonds, as defined by Section 46.033, is entitled to state assistance to fully compensate the district for ad valorem tax revenue for that tax effort lost due to an increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and a reduction of the amount of the limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, to reflect the increased exemption amount.

(b)  The commissioner shall compute the amount of assistance to which a school district is entitled under Subsection (a). A determination by the commissioner under this section is final and may not be appealed.

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

(j)  For purposes of Chapter 42, Education Code, the comptroller shall certify to the commissioner of education:

(1)  [~~a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000;~~

[~~(2)~~]  a final value for each school district computed on:

(A)  a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B)  the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997; [~~and~~]

(2) [~~(3)~~]  a final value for each school district computed on the effect of the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable;

(3)  for the 2020 tax year, a final value for each school district computed on:

(A)  a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $50,000; and

(B)  the effect of the additional limitation on ad valorem tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by the joint resolution to amend that section adopted by the 86th Legislature, Regular Session, 2019; and

(4)  for each tax year after the 2020 tax year, a final value for each school district computed on:

(A)  the amount of the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, in effect for that tax year; and

(B)  the effect of any reduction of the limitation on ad valorem tax increases under Section 1-b(d), Article VIII, Texas Constitution, to reflect any increase in the amount of the exemption from the amount in effect for the 2020 tax year.

SECTION 7.  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 8  This Act takes effect January 1, 2020, but only if the constitutional amendment proposed by the 86th Legislature, Regular Session, 2015, increasing the amount of the residence homestead exemption from ad valorem taxation for public school purposes from $15,000 to $50,000, providing for the increase of the exemption amount in subsequent years to reflect inflation in homestead values, and providing for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed for those purposes on the homestead of a disabled or elderly person to

reflect the increased exemption amounts is approved by the voters. If that constitutional amendment is not approved by the voters, this Act has no effect.