A BILL TO BE ENTITLED
AN ACT
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.

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

SECTION 1. Section 11.13(b), Tax Code, is amended to read as follows:

(b) An adult is entitled to exemption from taxation by a school district of $35,000 [$25,000] of the appraised value of the adult’s residence homestead, except that only $5,000 of the exemption applies 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.

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 [2015] tax year, the amount of the limitation provided by this section for the 2020 tax year is the amount of tax the school district imposed for the 2019 [2014] tax year less an amount equal to the amount determined by multiplying $10,000 times the tax rate of the school district for the 2020 [2015] tax year, plus any 2020 [2015] tax attributable to improvements made in 2019 [2014], other than
improvements made to comply with governmental regulations or repairs.

SECTION 3. Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0012 to read as follows:

Sec. 41.0012. COMPUTATION OF WEALTH PER STUDENT FOR 2020-2021 SCHOOL YEAR. Notwithstanding any other provision of this chapter, 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, 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. This section expires September 1, 2021.

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

(a) Beginning with the 2017-2018 school year and continuing through the 2019-2020 school year, a school district is entitled to additional state aid to the extent that state and local revenue under this chapter 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, 2015, excluding any state aid that would have been provided under former Section 42.2516, 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 S.J.R. 1, 84th Legislature, Regular Session, 2015, had not occurred.

(a-1) 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 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) 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) [this section].

SECTION 5. Section 42.252, Education Code, is amended by adding Subsection (e) to read as follows:

(e) 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. This subsection expires September 1, 2021.

SECTION 6. Section 42.302, Education Code, is amended by adding Subsection (g) to read as follows:

(g) 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. This subsection expires September 1, 2021.

SECTION 7. Section 46.003, Education Code, is amended by adding Subsection (i) to read as follows:

(i) Notwithstanding any other provision of this chapter, 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. This subsection expires September 1, 2021.

SECTION 8. Section 46.032, Education Code, is amended by adding Subsection (d) to read as follows:

(d) 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. This subsection expires September 1, 2021.

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

(a) Beginning with the 2015-2016 school year and continuing through the 2019-2020 school year, a school district is entitled to additional state aid under this subchapter 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, 2015, 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 S.J.R. 1, 84th Legislature, Regular
Session, 2015, had not occurred.

(a-1) Beginning with the 2020-2021 school year, a school
district is entitled to additional state aid under this subchapter
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) Subject to Subsections (c), (d), and (e) [(c)-(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) 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) For the purpose of determining state aid under
Subsections (a) and (b) [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. The limitation
imposed by Section 46.034(a) does not apply for the purpose of
determining state aid under this section.

(c-1) 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. The limitation
imposed by Section 46.034(a) does not apply for the purpose of
determining state aid under this section.

SECTION 10. 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. 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
1 production taxes to increase the amount of the exemption of
2 residence homesteads from ad valorem taxation by a school district
3 and reduce the amount of the limitation on school district ad
4 valorem taxes imposed on the residence homesteads of the elderly or
5 disabled to reflect the increased exemption amount is approved by
6 the voters. If that constitutional amendment is not approved by the
7 voters, this Act has no effect.