

By: Menéndez

S.B. No. 484

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on the total amount of ad valorem taxes that a school district may impose on certain residence homesteads following a substantial school tax increase.

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

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.262 to read as follows:

Sec. 11.262. LIMITATION OF SCHOOL TAXES ON CERTAIN HOMESTEADS FOLLOWING SUBSTANTIAL TAX INCREASE. (a) In this section, "residence homestead" has the meaning assigned by Section 11.13.

(b) The chief appraiser shall appraise, and the tax assessor for each school district shall calculate the taxes on, each residence homestead in the manner provided by law for other property.

(c) Except as provided by Subsection (g), if an individual qualifies property as the individual's residence homestead for at least 15 consecutive tax years and the total amount of school district taxes imposed on the property in that 15th tax year is at least 120 percent greater than the total amount of those taxes imposed in the first of those tax years, not including taxes imposed on the appraised value of all improvements made to the property during that period, a school district may not impose taxes on that residence homestead in a subsequent tax year in an amount that

1 exceeds the least of the following amounts:

2 (1) the amount of school taxes calculated for the  
3 current tax year under Subsection (b);

4 (2) the amount of school taxes imposed for that 15th  
5 tax year; or

6 (3) the amount of school taxes as limited under  
7 Section 11.26, if applicable.

8 (c-1) An individual may not receive a limitation on taxes  
9 under Subsection (c) based on an increase in taxes for any period  
10 that began before the 2006 tax year.

11 (d) If an individual who qualifies for a limitation under  
12 this section dies, the surviving spouse of the individual is  
13 entitled to continue receiving the limitation on school taxes  
14 imposed by a school district on the residence homestead of the  
15 individual if the property:

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

18 (2) remains the residence homestead of the surviving  
19 spouse.

20 (e) Except as provided by Subsection (d) or (f), a  
21 limitation under this section expires on January 1 if the property  
22 is not the residence homestead of the individual entitled to the  
23 limitation for the preceding tax year.

24 (f) A limitation under this section does not expire if:

25 (1) an owner of an interest in the residence homestead  
26 conveys the interest to a qualifying trust as defined in Section  
27 11.13(j) and the owner or the owner's spouse is:

1           (A) a trustor of the trust; and

2           (B) entitled to occupy the property; or

3           (2) the owner of the structure qualifies for an  
4 exemption under Section 11.13 under the circumstances described by  
5 Section 11.135(a).

6           (g) Except as provided by Subsection (h), a school district  
7 may increase the tax on a residence homestead subject to a  
8 limitation under this section in the first year the appraised value  
9 of the property is increased as the result of an improvement made to  
10 the property in the preceding tax year. The amount of the tax  
11 increase is determined by applying the current tax rate of the  
12 school district to the difference in the taxable value of the  
13 property with the improvement and the taxable value the property  
14 would have had without the improvement. A limitation imposed by  
15 this section then applies to the increased amount of tax until  
16 another improvement is made to the property.

17           (h) An improvement to a residence homestead is not treated  
18 as an improvement under Subsection (g) if the improvement is:

19                 (1) a repair;

20                 (2) required to be made to comply with a governmental  
21 requirement; or

22                 (3) subject to Subsection (i), a replacement structure  
23 for a structure that was rendered uninhabitable or unusable by a  
24 casualty or by wind or water damage.

25           (i) A replacement structure described by Subsection (h)(3)  
26 is considered to be an improvement under Subsection (g) only if:

27                 (1) the square footage of the replacement structure

1 exceeds the square footage of the replaced structure as the  
2 replaced structure existed before the casualty or damage occurred;  
3 or

4 (2) the exterior of the replacement structure is of  
5 higher quality construction and composition than that of the  
6 replaced structure.

7 (j) If the appraisal roll provides for taxation of appraised  
8 value for a prior year because a limitation under this section was  
9 erroneously allowed, the tax assessor for the school district shall  
10 add as back taxes due, as provided by Section 26.09(d), the positive  
11 difference, if any, between the tax that should have been imposed  
12 for that tax year and the tax that was imposed because of the  
13 provisions of this section.

14 (k) For each school district in an appraisal district, the  
15 chief appraiser shall determine the portion of the appraised value  
16 of residence homesteads of individuals on which school district  
17 taxes are not imposed in a tax year because of the limitation under  
18 this section. That portion is calculated by determining the  
19 taxable value that, if multiplied by the tax rate adopted by the  
20 school district for the tax year, would produce an amount equal to  
21 the amount of tax that would have been imposed by the school  
22 district on those properties if the limitation under this section  
23 were not in effect, but that was not imposed because of that  
24 limitation. The chief appraiser shall determine that taxable value  
25 and certify it to the comptroller as soon as practicable for each  
26 tax year.

27 SECTION 2. Sections 23.19(b) and (g), Tax Code, are amended

1 to read as follows:

2 (b) If an appraisal district receives a written request for  
3 the appraisal of real property and improvements of a cooperative  
4 housing corporation according to the separate interests of the  
5 corporation's stockholders, the chief appraiser shall separately  
6 appraise the interests described by Subsection (d) if the  
7 conditions required by Subsections (e) and (f) have been met.  
8 Separate appraisal under this section is for the purposes of  
9 administration of tax exemptions, determination of applicable  
10 limitations of taxes under Section 11.26, ~~[or]~~ 11.261, or 11.262,  
11 and apportionment by a cooperative housing corporation of property  
12 taxes among its stockholders but is not the basis for determining  
13 value on which a tax is imposed under this title. A stockholder  
14 whose interest is separately appraised under this section may  
15 protest and appeal the appraised value in the manner provided by  
16 this title for protest and appeal of the appraised value of other  
17 property.

18 (g) A tax bill or a separate statement accompanying the tax  
19 bill to a cooperative housing corporation for which interests of  
20 stockholders are separately appraised under this section must  
21 state, in addition to the information required by Section 31.01,  
22 the appraised value and taxable value of each interest separately  
23 appraised. Each exemption claimed as provided by this title by a  
24 person entitled to the exemption shall also be deducted from the  
25 total appraised value of the property of the corporation. The total  
26 tax imposed by a school district, county, municipality, or junior  
27 college district shall be reduced by any amount that represents an

1 increase in taxes attributable to separately appraised interests of  
2 the real property and improvements that are subject to the  
3 limitation of taxes prescribed by Section 11.26, ~~[or]~~ 11.261, or  
4 11.262. The corporation shall apportion among its stockholders  
5 liability for reimbursing the corporation for property taxes  
6 according to the relative taxable values of their interests.

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

9 (6) "Current total value" means the total taxable  
10 value of property listed on the appraisal roll for the current year,  
11 including all appraisal roll supplements and corrections as of the  
12 date of the calculation, less the taxable value of property  
13 exempted for the current tax year for the first time under Section  
14 11.31 or 11.315, except that:

15 (A) the current total value for a school district  
16 excludes:

17 (i) the total value of homesteads that  
18 qualify for a tax limitation as provided by Sections ~~[Section]~~  
19 11.26 and 11.262; and

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

22 (B) the current total value for a county,  
23 municipality, or junior college district excludes the total value  
24 of homesteads that qualify for a tax limitation provided by Section  
25 11.261.

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

27 (A) the amount of taxes that would be generated

1 by multiplying the total tax rate adopted by the governing body in  
2 the preceding year by the total taxable value of property on the  
3 appraisal roll for the preceding year, including:

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

6 (ii) all appraisal roll supplements and  
7 corrections other than corrections made pursuant to Section  
8 25.25(d), as of the date of the calculation, except that last year's  
9 taxable value for a school district excludes the total value of  
10 homesteads that qualified for a tax limitation as provided by  
11 Sections [~~Section~~] 11.26 and 11.262 and last year's taxable value  
12 for a county, municipality, or junior college district excludes the  
13 total value of homesteads that qualified for a tax limitation as  
14 provided by Section 11.261; and

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

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

22 (A) last year's taxable value for a school  
23 district excludes the total value of homesteads that qualified for  
24 a tax limitation as provided by Sections [~~Section~~] 11.26 and  
25 11.262; and

26 (B) last year's taxable value for a county,  
27 municipality, or junior college district excludes the total value

1 of homesteads that qualified for a tax limitation as provided by  
2 Section 11.261.

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

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

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

11 "NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE  
12 "The (name of school district) will hold a public meeting at  
13 (time, date, year) in (name of room, building, physical location,  
14 city, state). The purpose of this meeting is to discuss the school  
15 district's budget that will determine the tax rate that will be  
16 adopted. Public participation in the discussion is invited." The  
17 statement of the purpose of the meeting must be in bold type. In  
18 reduced type, the notice must state: "The tax rate that is  
19 ultimately adopted at this meeting or at a separate meeting at a  
20 later date may not exceed the proposed rate shown below unless the  
21 district publishes a revised notice containing the same information  
22 and comparisons set out below and holds another public meeting to  
23 discuss the revised notice.";

24 (2) contain a section entitled "Comparison of Proposed  
25 Budget with Last Year's Budget," which must show the difference,  
26 expressed as a percent increase or decrease, as applicable, in the  
27 amounts budgeted for the preceding fiscal year and the amount



1 budgeted for the fiscal year that begins in the current tax year for  
2 each of the following:

3 (A) maintenance and operations;

4 (B) debt service; and

5 (C) total expenditures;

6 (3) contain a section entitled "Total Appraised Value  
7 and Total Taxable Value," which must show the total appraised value  
8 and the total taxable value of all property and the total appraised  
9 value and the total taxable value of new property taxable by the  
10 district in the preceding tax year and the current tax year as  
11 calculated under Section 26.04, Tax Code;

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

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

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

21 (i) the school district's "Last Year's  
22 Rate";

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

25 (a) in the case of "Maintenance &  
26 Operations," is the tax rate that, when applied to the current  
27 taxable value for the district, as certified by the chief appraiser

1 under Section 26.01, Tax Code, and as adjusted to reflect changes  
2 made by the chief appraiser as of the time the notice is prepared,  
3 would impose taxes in an amount that, when added to state funds to  
4 be distributed to the district under Chapter 42, would provide the  
5 same amount of maintenance and operations taxes and state funds  
6 distributed under Chapter 42 per student in average daily  
7 attendance for the applicable school year that was available to the  
8 district in the preceding school year; and

9 (b) in the case of "Interest & Sinking  
10 Fund," is the tax rate that, when applied to the current taxable  
11 value for the district, as certified by the chief appraiser under  
12 Section 26.01, Tax Code, and as adjusted to reflect changes made by  
13 the chief appraiser as of the time the notice is prepared, and when  
14 multiplied by the district's anticipated collection rate, would  
15 impose taxes in an amount that, when added to state funds to be  
16 distributed to the district under Chapter 46 and any excess taxes  
17 collected to service the district's debt during the preceding tax  
18 year but not used for that purpose during that year, would provide  
19 the amount required to service the district's debt; and

20 (iii) the "Proposed Rate";

21 (B) contain fourth and fifth columns aligned with  
22 the columns required by Paragraph (A) that show, for each row  
23 required by Paragraph (A):

24 (i) the "Local Revenue per Student," which  
25 is computed by multiplying the district's total taxable value of  
26 property, as certified by the chief appraiser for the applicable  
27 school year under Section 26.01, Tax Code, and as adjusted to

1 reflect changes made by the chief appraiser as of the time the  
2 notice is prepared, by the total tax rate, and dividing the product  
3 by the number of students in average daily attendance in the  
4 district for the applicable school year; and

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

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

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

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

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

23 (ii) "Average Taxable Value of Residences,"  
24 determined after taking into account the limitation on the  
25 appraised value of residences under Section 23.23, Tax Code, and  
26 after subtracting all homestead exemptions applicable in each year,  
27 other than exemptions available only to disabled persons or persons

1 65 years of age or older or their surviving spouses, and using the  
2 same group of residences for each year;

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

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

7 (B) contain the following information:  
8 "Increase (Decrease) in Taxes" expressed in dollars and cents,  
9 which is computed by subtracting the "Taxes Due on Average  
10 Residence" for the preceding tax year from the "Taxes Due on Average  
11 Residence" for the current tax year;

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

19 (8) contain the following statement in bold print:  
20 "Notice of Rollback Rate: The highest tax rate the district can  
21 adopt before requiring voter approval at an election is (the school  
22 district rollback rate determined under Section 26.08, Tax Code).  
23 This election will be automatically held if the district adopts a  
24 rate in excess of the rollback rate of (the school district rollback  
25 rate)."; ~~and~~

26 (9) contain a section entitled "Fund Balances," which  
27 must include the estimated amount of interest and sinking fund

1 balances and the estimated amount of maintenance and operation or  
2 general fund balances remaining at the end of the current fiscal  
3 year that are not encumbered with or by corresponding debt  
4 obligation, less estimated funds necessary for the operation of the  
5 district before the receipt of the first payment under Chapter 42 in  
6 the succeeding school year; and

7 (10) contain the following statement in bold print:

8 "Under state law, the dollar amount of school taxes imposed on a  
9 residence homestead that qualifies as the owner's residence  
10 homestead for at least 15 consecutive years, during which time the  
11 total amount of school district taxes imposed on the property has  
12 increased by at least 120 percent, may not be increased above the  
13 amount of school taxes imposed on the property in that 15th  
14 consecutive year, regardless of changes in tax rate or property  
15 value."

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

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

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

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

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

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

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

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

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

23           (5) the total dollar amount of any captured appraised  
24 value of property that:

25           (A) is within a reinvestment zone:

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

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

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

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

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

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

18                  (8) the portion of the appraised value of residence  
19 homesteads of individuals who receive a tax limitation under  
20 Section 11.26 or 11.262, Tax Code, on which school district taxes  
21 are not imposed in the year that is the subject of the study,  
22 calculated as if the residence homesteads were appraised at the  
23 full value required by law;

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

26                         (A) action required by statute or the  
27 constitution of this state, other than Section 11.311, Tax Code,

1 that, if the tax rate adopted by the district is applied to it,  
2 produces an amount equal to the difference between the tax that the  
3 district would have imposed on the property if the property were  
4 fully taxable at market value and the tax that the district is  
5 actually authorized to impose on the property, if this subsection  
6 does not otherwise require that portion to be deducted; or

7 (B) action taken by the district under Subchapter  
8 B or C, Chapter 313, Tax Code, before the expiration of the  
9 subchapter;

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

13 (11) the appraised value of property the collection of  
14 delinquent taxes on which is deferred under Section 33.06, Tax  
15 Code;

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

19 (13) the amount by which the market value of a  
20 residence homestead to which Section 23.23, Tax Code, applies  
21 exceeds the appraised value of that property as calculated under  
22 that section.

23 SECTION 6. The limitation on taxes provided by Section  
24 11.262, Tax Code, as added by this Act, applies only to ad valorem  
25 taxes imposed for an ad valorem tax year that begins on or after the  
26 effective date of this Act.

27 SECTION 7. This Act takes effect January 1, 2020, but only



1 if the constitutional amendment proposed by the 86th Legislature,  
2 Regular Session, 2019, authorizing the legislature to limit the  
3 total amount of ad valorem taxes that a school district may impose  
4 on the residence homestead of an individual and the surviving  
5 spouse of the individual if the individual qualifies the property  
6 as the individual's residence homestead for 15 consecutive tax  
7 years and the school taxes on the property increase by at least 120  
8 percent during that period is approved by the voters. If that  
9 amendment is not approved by the voters, this Act has no effect.