

By: Zaffirini

S.B. No. 1791

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the authority of the governing body of a taxing unit in
3 a county in which home prices are appreciating rapidly to adopt a
4 limitation on increases in the appraised value for purposes of ad
5 valorem taxation by the taxing unit of residence homesteads in
6 certain low-income areas.

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

8 SECTION 1. Section 1.12(d), Tax Code, is amended to read as
9 follows:

10 (d) For purposes of this section, the appraisal ratio of a
11 homestead to which Section 23.23 or 23.231 applies is the ratio of
12 the property's market value as determined by the appraisal district
13 or appraisal review board, as applicable, to the market value of the
14 property according to law. The appraisal ratio is not calculated
15 according to the appraised value of the property as limited by
16 Section 23.23 or 23.231.

17 SECTION 2. Subchapter B, Chapter 23, Tax Code, is amended by
18 adding Section 23.231 to read as follows:

19 Sec. 23.231. LIMITATION ON APPRAISED VALUE OF RESIDENCE
20 HOMESTEAD IN LOW-INCOME AREA. (a) In this section:

21 (1) "Qualifying census tract" means a census tract
22 delineated by the United States Bureau of the Census in the most
23 recent decennial census in which:

24 (A) the median family income is less than 60

1 percent of the area median family income for the county or
2 metropolitan statistical area in which the census tract is located,
3 as determined annually by the United States Department of Housing
4 and Urban Development; or

5 (B) the poverty rate is at least 25 percent.

6 (2) "Qualifying county" means a county in which the
7 rate of increase in the unadjusted median value of the sales price
8 of existing homes over the preceding three years, as calculated by
9 the United States Department of Housing and Urban Development for
10 purposes of the HOME and Housing Trust Fund programs, is greater
11 than 2.5 times the amount computed by averaging the rate of increase
12 in each of the counties in this state for the same period.

13 (b) The governing body of a taxing unit all or part of the
14 territory of which is located in a qualifying county in the manner
15 provided by law for official action by the governing body may
16 provide that, notwithstanding the requirements of Section 25.18 and
17 regardless of whether the appraisal office has appraised the
18 property and determined the market value of the property for the tax
19 year, an appraisal office may increase the appraised value of a
20 residence homestead located in a qualifying census tract in the
21 taxing unit for a tax year for purposes of taxation by the taxing
22 unit to an amount not to exceed the lesser of:

23 (1) the market value of the property for the most
24 recent tax year that the market value was determined by the
25 appraisal office; or

26 (2) the sum of:

27 (A) the greater of the following amounts:

1 (i) the percentage specified by the
2 governing body, expressed as a decimal, multiplied by the appraised
3 value of the property for the preceding tax year; or

4 (ii) the amount computed by averaging the
5 percentage increase, expressed as a decimal, in the unadjusted
6 median value of the sales price of existing homes in each of the
7 counties in this state for the preceding year as calculated by the
8 United States Department of Housing and Urban Development for
9 purposes of the HOME and Housing Trust Fund programs and
10 multiplying that amount by the appraised value of the property for
11 the preceding tax year;

12 (B) the appraised value of the property for the
13 preceding tax year; and

14 (C) the market value of all new improvements to
15 the property.

16 (c) The governing body of a taxing unit that adopts a
17 limitation on increases in appraised value under this section may
18 amend or repeal the limitation. The adoption, amendment, or repeal
19 of a limitation applies beginning with the tax year in which the
20 action is taken if the action is taken before July 1 and takes
21 effect beginning with the following tax year if the action is taken
22 on or after that date.

23 (d) When appraising a residence homestead that is subject to
24 a limitation on increases in appraised value under this section for
25 purposes of taxation of the homestead by the taxing unit that
26 adopted the limitation, the chief appraiser shall:

27 (1) appraise the property at its market value; and

1 (2) include in the appraisal records both the market
2 value of the property and the amount computed under Subsection
3 (b)(2).

4 (e) Notwithstanding Subsection (b), the appraised value of
5 a residence homestead that is subject to a limitation on increases
6 in appraised value under this section is, for purposes of taxation
7 of the homestead by the taxing unit that adopted the limitation,
8 equal to the lesser of the amount computed under Section 23.23 or
9 the amount computed under Subsection (b).

10 (f) A limitation adopted under Subsection (b) takes effect
11 as to a residence homestead on January 1 of the tax year following
12 the first tax year in which the owner qualifies the property for an
13 exemption under Section 11.13 and the homestead is located in a
14 qualifying census tract. The limitation expires on January 1 of the
15 first tax year in which neither the owner of the property when the
16 limitation took effect nor the owner's spouse or surviving spouse
17 qualifies for an exemption under Section 11.13 or the homestead
18 ceases to be located in a qualifying census tract.

19 (g) Sections 23.23(d), (e), (f), and (g) apply to a
20 limitation under this section in the same manner as those
21 subsections apply to a limitation under Section 23.23.

22 SECTION 3. Section 42.26(d), Tax Code, is amended to read as
23 follows:

24 (d) For purposes of this section, the value of the property
25 subject to the suit and the value of a comparable property or sample
26 property that is used for comparison must be the market value
27 determined by the appraisal district when the property is a

1 residence homestead subject to the limitation on appraised value
2 imposed by Section [23.23](#) or [23.231](#).

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 or 23.231, Tax
26 Code, and after subtracting all homestead exemptions applicable in
27 each year, other than exemptions available only to disabled persons

1 or persons 65 years of age or older or their surviving spouses, and
2 using the 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
8 information: "Increase (Decrease) in Taxes" expressed in dollars
9 and cents, which is computed by subtracting the "Taxes Due on
10 Average Residence" for the preceding tax year from the "Taxes Due on
11 Average Residence" for the current tax year;

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

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

7 SECTION 5. Sections 403.302(d) and (i), Government Code,
8 are amended to read as follows:

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

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

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

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

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

24 (A) is within a reinvestment zone created on or
25 before May 31, 1999, or is proposed to be included within the
26 boundaries of a reinvestment zone as the boundaries of the zone and
27 the proposed portion of tax increment paid into the tax increment

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

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

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

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

16 (A) is within a reinvestment zone:

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

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

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

27 (C) is eligible for tax increment financing under

1 Chapter 311, Tax Code;

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

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

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

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

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

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

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

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

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

10 (13) the amount by which the market value of a
11 residence homestead to which Section 23.23 or 23.231, Tax Code,
12 applies exceeds the appraised value of that property as calculated
13 under that section.

14 (i) If the comptroller determines in the study that the
15 market value of property in a school district as determined by the
16 appraisal district that appraises property for the school district,
17 less the total of the amounts and values listed in Subsection (d) as
18 determined by that appraisal district, is valid, the comptroller,
19 in determining the taxable value of property in the school district
20 under Subsection (d), shall for purposes of Subsection (d)(13)
21 subtract from the market value as determined by the appraisal
22 district of residence homesteads to which Section 23.23 or 23.231,
23 Tax Code, applies the amount by which that amount exceeds the
24 appraised value of those properties as calculated by the appraisal
25 district under Section 23.23 or 23.231, Tax Code. If the
26 comptroller determines in the study that the market value of
27 property in a school district as determined by the appraisal

1 district that appraises property for the school district, less the
2 total of the amounts and values listed in Subsection (d) as
3 determined by that appraisal district, is not valid, the
4 comptroller, in determining the taxable value of property in the
5 school district under Subsection (d), shall for purposes of
6 Subsection (d)(13) subtract from the market value as estimated by
7 the comptroller of residence homesteads to which Section 23.23 or
8 23.231, Tax Code, applies the amount by which that amount exceeds
9 the appraised value of those properties as calculated by the
10 appraisal district under Section 23.23 or 23.231, Tax Code.

11 SECTION 6. This Act applies only to the appraisal of certain
12 residence homesteads for ad valorem tax purposes for a tax year that
13 begins on or after the effective date of this Act.

14 SECTION 7. This Act takes effect January 1, 2020, but only
15 if the constitutional amendment proposed by the 86th Legislature,
16 Regular Session, 2019, to authorize the legislature to permit the
17 governing body of a political subdivision in a county in which home
18 prices are appreciating rapidly to adopt a limitation on increases
19 in the appraised value for purposes of ad valorem taxation by the
20 political subdivision of residence homesteads in certain
21 low-income areas is approved by the voters. If that amendment is
22 not approved by the voters, this Act has no effect.