Senate Research Center   S.B. 12
87S10145 SMH-D   By: Bettencourt; Kolkhorst
                                                                                  Local Government
                                                                                          7/8/2021
                                                                                          As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 86th Legislature passed H.B. 3, the school finance reform bill. H.B. 3 provided school maintenance and operations (M&O) tax rate compression for property taxpayers, where the state provides additional dollars to school districts in return for lower local school tax rates. One group of Texans did not receive this reduction, those with an Over 65/Disabled exemption.

A similar scenario happened in 2005, when school M&O tax rates were compressed by the state. After the bill passed it was discovered that those with an Over 65/Disabled exemption would not see any tax rate reduction. In 2007, the legislature approved a joint resolution to be voted on by the citizens that would permit compression to be applied to those with this type of exemption. The constitutional amendment passed with an overwhelming 815,596 to 113,983.

S.J.R. 4 and S.B. 12 would put to the voters again the option to extend the tax rate compression from H.B. 3 to those who have an Over 65/Disabled exemption, so that they too would see their school M&O tax rate reduced. These two measures are based on the precedent from 2005 and 2007.

S.J.R. 4 and S.B. 12 seek to provide school M&O tax rate compression to individual homeowners who have an Over 65/Disabled exemption.

As proposed, S.B. 12 amends current law relating to the reduction of the amount of a limitation on the total amount of ad valorem taxes that may be imposed by a school district on the residence homestead of an individual who is elderly or disabled to reflect any reduction from the preceding tax year in the district's maximum compressed rate.

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 11.26, Tax Code, by adding Subsections (a-4), (a-5), (a-6), (a-7), (a-8), and (a-9), as follows:

> (a-4) Defines "maximum compressed rate" for Section 11.26 (Limitation of School Tax on Homesteads of Elderly or Disabled).
>
> (a-5) Provides that notwithstanding the other provisions of this section, if in the 2022 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) (relating to an entitlement to an additional $10,000 exemption from taxation by a school district on the appraised value of a residence homestead of an adult who is disabled or is 65 or older) for the same homestead was a tax year before the 2019 tax year, the amount of the limitation provided by this section on the homestead in the 2022 tax year is equal to the amount computed by:

(1) multiplying the taxable value of the homestead in the 2018 tax year by a tax rate equal to the difference between the school district's tier one maintenance and operations rate for the 2018 tax year and the district's maximum compressed rate for the 2019 tax year;

(2) subtracting the greater of zero or the amount computed under Subdivision (1) from the amount of tax the district imposed on the homestead in the 2018 tax year;

(3) adding any tax imposed in the 2019 tax year attributable to improvements made in the 2018 tax year as provided by Subsection (b) (relating to authorizing a school district to increase the tax on a homestead because of enhanced value attributable to certain improvements) to the amount computed under Subdivision (2);

(4) multiplying the taxable value of the homestead in the 2019 tax year by a tax rate equal to the difference between the district's maximum compressed rate for the 2019 tax year and the district's maximum compressed rate for the 2020 tax year;

(5) subtracting the amount computed under Subdivision (4) from the amount computed under Subdivision (3);

(6) adding any tax imposed in the 2020 tax year attributable to improvements made in the 2019 tax year as provided by Subsection (b) to the amount computed under Subdivision (5);

(7) multiplying the taxable value of the homestead in the 2020 tax year by a tax rate equal to the difference between the district's maximum compressed rate for the 2020 tax year and the district's maximum compressed rate for the 2021 tax year;

(8) subtracting the amount computed under Subdivision (7) from the amount computed under Subdivision (6);

(9) adding any tax imposed in the 2021 tax year attributable to improvements made in the 2020 tax year as provided by Subsection (b) to the amount computed under Subdivision (8);

(10) multiplying the taxable value of the homestead in the 2021 tax year by a tax rate equal to the difference between the district's maximum compressed rate for the 2021 tax year and the district's maximum compressed rate for the 2022 tax year;

(11) subtracting the amount computed under Subdivision (10) from the amount computed under Subdivision (9); and

(12) adding any tax imposed in the 2022 tax year attributable to improvements made in the 2021 tax year as provided by Subsection (b) to the amount computed under Subdivision (11).

(a-6) Provides that notwithstanding the other provisions of this section, if in the 2022 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was the 2019 tax year, the amount of the limitation provided by this section on the homestead in the 2022 tax year is equal to the amount computed by:

(1) multiplying the taxable value of the homestead in the 2019 tax year by a tax rate equal to the difference between the school district's maximum compressed

rate for the 2019 tax year and the district's maximum compressed rate for the 2020 tax year;

(2) subtracting the amount computed under Subdivision (1) from the amount of tax the district imposed on the homestead in the 2019 tax year;

(3) adding any tax imposed in the 2020 tax year attributable to improvements made in the 2019 tax year as provided by Subsection (b) to the amount computed under Subdivision (2);

(4) multiplying the taxable value of the homestead in the 2020 tax year by a tax rate equal to the difference between the district's maximum compressed rate for the 2020 tax year and the district's maximum compressed rate for the 2021 tax year;

(5) subtracting the amount computed under Subdivision (4) from the amount computed under Subdivision (3);

(6) adding any tax imposed in the 2021 tax year attributable to improvements made in the 2020 tax year as provided by Subsection (b) to the amount computed under Subdivision (5);

(7) multiplying the taxable value of the homestead in the 2021 tax year by a tax rate equal to the difference between the district's maximum compressed rate for the 2021 tax year and the district's maximum compressed rate for the 2022 tax year;

(8) subtracting the amount computed under Subdivision (7) from the amount computed under Subdivision (6); and

(9) adding any tax imposed in the 2022 tax year attributable to improvements made in the 2021 tax year as provided by Subsection (b) to the amount computed under Subdivision (8).

(a-7) Provides that notwithstanding the other provisions of this section, if in the 2022 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was the 2020 tax year, the amount of the limitation provided by this section on the homestead in the 2022 tax year is equal to the amount computed by:

(1) multiplying the taxable value of the homestead in the 2020 tax year by a tax rate equal to the difference between the school district's maximum compressed rate for the 2020 tax year and the district's maximum compressed rate for the 2021 tax year;

(2) subtracting the amount computed under Subdivision (1) from the amount of tax the district imposed on the homestead in the 2020 tax year;

(3) adding any tax imposed in the 2021 tax year attributable to improvements made in the 2020 tax year as provided by Subsection (b) to the amount computed under Subdivision (2);

(4) multiplying the taxable value of the homestead in the 2021 tax year by a tax rate equal to the difference between the district's maximum compressed rate for the 2021 tax year and the district's maximum compressed rate for the 2022 tax year;

(5) subtracting the amount computed under Subdivision (4) from the amount computed under Subdivision (3); and

(6) adding any tax imposed in the 2022 tax year attributable to improvements made in the 2021 tax year as provided by Subsection (b) to the amount computed under Subdivision (5).

(a-8) Provides that notwithstanding the other provisions of this section, if in the 2022 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was the 2021 tax year, the amount of the limitation provided by this section on the homestead in the 2022 tax year is equal to the amount computed by:

(1) multiplying the taxable value of the homestead in the 2021 tax year by a tax rate equal to the difference between the school district's maximum compressed rate for the 2021 tax year and the district's maximum compressed rate for the 2022 tax year;

(2) subtracting the amount computed under Subdivision (1) from the amount of tax the district imposed on the homestead in the 2021 tax year; and

(3) adding any tax imposed in the 2022 tax year attributable to improvements made in the 2021 tax year as provided by Subsection (b) to the amount computed under Subdivision (2).

(a-9) Provides that notwithstanding the other provisions of this section, if in the 2023 or a subsequent tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead, the amount of the limitation provided by this section on the homestead is equal to the amount computed by:

(1) multiplying the taxable value of the homestead in the preceding tax year by a tax rate equal to the difference between the school district's maximum compressed rate for the preceding tax year and the district's maximum compressed rate for the current tax year;

(2) subtracting the amount computed under Subdivision (1) from the amount of tax the district imposed on the homestead in the preceding tax year; and

(3) adding any tax imposed in the current tax year attributable to improvements made in the preceding tax year as provided by Subsection (b) to the amount computed under Subdivision (2).

SECTION 2. Provides that this Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2022, contingent upon approval by the voters of the constitutional amendment proposed by the 87th Legislature, 1st Called Session, 2021, authorizing the legislature to provide for the reduction of the amount of a limitation on the total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is elderly or disabled to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead.