87S10211 SMH/CAE-D

By:  Schofield H.B. No. 72

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from ad valorem taxation by a school district of a dollar amount or a percentage, whichever is greater, of the appraised value of a residence homestead, 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 person who is elderly or disabled to reflect any increase in the 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 $25,000 of the appraised value of the adult's residence homestead or 16.7 percent of the appraised value of the adult's residence homestead, whichever is greater, 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 2015 tax year, the amount of the limitation provided by this section is the amount of tax the school district imposed for the 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 2015 tax year, plus any 2015 tax attributable to improvements made in 2014, 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 the 2022 tax year and the appraised value of the homestead for the 2022 tax year is more than $149,701, the amount of the limitation provided by this section is the amount of tax the school district imposed for the 2021 tax year, less an amount equal to the amount computed by subtracting $25,000 from an amount equal to 16.7 percent of the appraised value of the homestead for the 2022 tax year and multiplying that amount by the tax rate of the school district for the 2022 tax year, plus any 2022 tax attributable to improvements made in 2021, 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.  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 2021-2022 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 2022-2023 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, 2021, if any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 87th Legislature, 1st Called Session, 2021, had not occurred.

(b)  Subject to Subsections (c), (d), and (e) [~~(c)-(e)~~], additional state aid under this section through the 2021-2022 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 2022-2023 school year is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 87th Legislature, 1st Called Session, 2021, 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, 2021, 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 4.  Subchapter F, Chapter 48, Education Code, is amended by adding Section 48.2541 to read as follows:

Sec. 48.2541.  ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES. (a) Beginning with the 2022-2023 school year, a school district is entitled to additional state aid to the extent that state and local revenue under this chapter and Chapter 49 is less than the state and local revenue that would have been available to the district under this chapter and Chapter 49 as those chapters existed on September 1, 2021, if any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 87th Legislature, 1st Called Session, 2021, 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 the 2021 tax year is used for the purpose of determining additional state aid under Subsection (a).

SECTION 5.  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, 2022.

SECTION 6.  This Act takes effect January 1, 2022, but only if the constitutional amendment proposed by the 87th Legislature, 1st Called Session, 2021, providing for an exemption from ad valorem taxation for public school purposes of $25,000 or 16.7 percent, whichever is greater, of the market value of a residence homestead 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 person who is elderly or disabled to reflect any increase in the exemption amount is approved by the voters. If that constitutional amendment is not approved by the voters, this Act has no effect.