87R9159 TJB-D

By:  Shaheen H.B. No. 3694

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on the appraised value of certain rapidly appreciating residence homesteads for ad valorem tax purposes.

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

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

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

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

Sec. 23.231.  LIMITATION ON APPRAISED VALUE OF RAPIDLY APPRECIATING RESIDENCE HOMESTEAD. (a) In this section:

(1)  "Disaster recovery program" means the disaster recovery program administered by the General Land Office or by a political subdivision of this state that is funded with community development block grant disaster recovery money authorized by federal law.

(2)  "New improvement" means an improvement to a rapidly appreciating residence homestead made after the most recent appraisal of the property that increases the market value of the property and the value of which is not included in the appraised value of the property for the preceding tax year. The term does not include repairs to or ordinary maintenance of an existing structure or the grounds or another feature of the property.

(3)  "Rapidly appreciating residence homestead" means real property:

(A)  that is a residence homestead;

(B)  for which the owner was granted a residence homestead exemption in the 2017, 2018, 2019, 2020, 2021, and 2022 tax years; and

(C)  for which the market value for the 2022 tax year is at least 250 percent higher than the market value of the property for the 2017 tax year.

(4)  "Residence homestead" has the meaning assigned by Section 11.13.

(b)  Notwithstanding the requirements of Sections 23.23 and 25.18, and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, an appraisal office may increase the appraised value of a rapidly appreciating residence homestead for a tax year to an amount not to exceed the lesser of:

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

(2)  the sum of:

(A)  the appraised value of the property for the 2017 tax year; and

(B)  the market value of all new improvements to the property.

(c)  When appraising a rapidly appreciating residence homestead, the chief appraiser shall:

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

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

(d)  The limitation provided by Subsection (b) expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect nor the owner's spouse or surviving spouse qualifies for an exemption under Section 11.13.

(e)  This section does not apply to property appraised under Subchapter C, D, E, F, or G.

(f)  Notwithstanding Subsection (b), and except as provided by Subdivision (2), an improvement to property that would otherwise constitute a new improvement is not treated as a new improvement if the improvement is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage. For purposes of appraising the property under Subsection (b) in the tax year in which the structure would have constituted a new improvement:

(1)  the appraised value the property would have had in the preceding tax year if the casualty or damage had not occurred is considered to be the appraised value of the property for that year, regardless of whether that appraised value exceeds the actual appraised value of the property for that year as limited by Subsection (b); and

(2)  the replacement structure is considered to be a new improvement only if:

(A)  the square footage of the replacement structure exceeds that of the replaced structure as that structure existed before the casualty or damage occurred; or

(B)  the exterior of the replacement structure is of higher quality construction and composition than that of the replaced structure.

(g)  Notwithstanding Subsection (f)(2), and only to the extent necessary to satisfy the requirements of the disaster recovery program, a replacement structure described by that subdivision is not considered to be a new improvement if to satisfy the requirements of the disaster recovery program it was necessary that:

(1)  the square footage of the replacement structure exceed that of the replaced structure as that structure existed before the casualty or damage occurred; or

(2)  the exterior of the replacement structure be of higher quality construction and composition than that of the replaced structure.

SECTION 3.  Section 25.19(b), Tax Code, as effective January 1, 2022, is amended to read as follows:

(b)  The chief appraiser shall separate real from personal property and include in the notice for each:

(1)  a list of the taxing units in which the property is taxable;

(2)  the appraised value of the property in the preceding year;

(3)  the taxable value of the property in the preceding year for each taxing unit taxing the property;

(4)  the appraised value of the property for the current year, the kind and amount of each exemption and partial exemption, if any, approved for the property for the current year and for the preceding year, and, if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year, the amount of the exemption or partial exemption canceled or reduced;

(4-a)  a statement of whether the property qualifies for a limitation on appraised value adopted under Section 23.231;

(5)  in italic typeface, the following statement: "The Texas Legislature does not set the amount of your local taxes.  Your property tax burden is decided by your locally elected officials, and all inquiries concerning your taxes should be directed to those officials";

(6)  a detailed explanation of the time and procedure for protesting the value;

(7)  the date and place the appraisal review board will begin hearing protests; and

(8)  a brief explanation that the governing body of each taxing unit decides whether or not taxes on the property will increase and the appraisal district only determines the value of the property.

SECTION 4.  Section 25.19(g), Tax Code, is amended to read as follows:

(g)  By April 1 or as soon thereafter as practicable if the property is a single-family residence that qualifies for an exemption under Section 11.13, or by May 1 or as soon thereafter as practicable in connection with any other property, the chief appraiser shall deliver a written notice to the owner of each property not included in a notice required to be delivered under Subsection (a), if the property was reappraised in the current tax year, if the ownership of the property changed during the preceding year, or if the property owner or the agent of a property owner authorized under Section 1.111 makes a written request for the notice.  The chief appraiser shall separate real from personal property and include in the notice for each property:

(1)  the appraised value of the property in the preceding year;

(2)  the appraised value of the property for the current year and the kind of each partial exemption, if any, approved for the current year;

(2-a)  a statement of whether the property qualifies for a limitation on appraised value adopted under Section 23.231;

(3)  a detailed explanation of the time and procedure for protesting the value; and

(4)  the date and place the appraisal review board will begin hearing protests.

SECTION 5.  Section 41.41(a), Tax Code, is amended to read as follows:

(a)  A property owner is entitled to protest before the appraisal review board the following actions:

(1)  determination of the appraised value of the owner's property or, in the case of land appraised as provided by Subchapter C, D, E, or H, Chapter 23, determination of its appraised or market value;

(2)  unequal appraisal of the owner's property;

(3)  inclusion of the owner's property on the appraisal records;

(4)  denial to the property owner in whole or in part of a partial exemption;

(4-a)  determination that the owner's property does not qualify for a limitation on appraised value adopted under Section 23.231;

(5)  determination that the owner's land does not qualify for appraisal as provided by Subchapter C, D, E, or H, Chapter 23;

(6)  identification of the taxing units in which the owner's property is taxable in the case of the appraisal district's appraisal roll;

(7)  determination that the property owner is the owner of property;

(8)  a determination that a change in use of land appraised under Subchapter C, D, E, or H, Chapter 23, has occurred; or

(9)  any other action of the chief appraiser, appraisal district, or appraisal review board that applies to and adversely affects the property owner.

SECTION 6.  Section 42.26(d), Tax Code, is amended to read as follows:

(d)  For purposes of this section, the value of the property subject to the suit and the value of a comparable property or sample property that is used for comparison must be the market value determined by the appraisal district when the property is [~~a residence homestead~~] subject to the limitation on appraised value imposed by Section 23.23 or 23.231.

SECTION 7.  This Act applies only to the appraisal of residence homesteads for ad valorem tax purposes for a tax year that begins on or after the effective date of this Act.

SECTION 8.  This Act takes effect January 1, 2022, but only if the constitutional amendment proposed by the 87th Legislature, Regular Session, 2021, to authorize the legislature to limit the maximum appraised value of certain rapidly appreciating residence homesteads for ad valorem tax purposes is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.