

By: Stephenson

H.B. No. 288

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from ad valorem taxation by a school district for maintenance and operations purposes of the total appraised value of a residence homestead and the offsetting of the resulting revenue loss to school districts with state sales and use tax revenue.

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

ARTICLE 1. SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES

SECTION 1.01. Section 11.13, Tax Code, is amended by adding Subsection (s) to read as follows:

(s) In addition to any other exemptions provided by this section, an adult is entitled to an exemption from taxation by a school district for maintenance and operations purposes of the total appraised value of the adult's residence homestead.

SECTION 1.02. Section 11.26, Tax Code, is amended by amending Subsections (a), (a-3), (b), and (e) and adding Subsections (a-4) and (a-5) to read as follows:

(a) The tax officials shall appraise ~~the~~ property to which this section applies and calculate taxes as on other residence homesteads ~~property~~, but if the tax ~~is~~ 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

1 individual 65 years of age or older or on the residence homestead of
2 an individual who is disabled, as defined by Section 11.13, above
3 the amount of the tax it imposed in the first tax year in which the
4 individual qualified that residence homestead for the applicable
5 exemption provided by Section 11.13(c) for an individual who is 65
6 years of age or older or is disabled. If the individual qualified
7 that residence homestead for the exemption after the beginning of
8 that first year and the residence homestead remains eligible for
9 the same exemption for the next year, and if the school district
10 taxes imposed on the residence homestead in the next year are less
11 than the amount of taxes imposed in that first year, a school
12 district may not subsequently increase the total annual amount of
13 ad valorem taxes it imposes on the residence homestead above the
14 amount it imposed in the year immediately following the first year
15 for which the individual qualified that residence homestead for the
16 same exemption, except as provided by Subsection (b). If the first
17 tax year the individual qualified the residence homestead for the
18 exemption provided by Section 11.13(c) for individuals 65 years of
19 age or older or disabled was a tax year before the 2015 tax year, the
20 amount of the limitation provided by this section is the amount of
21 tax the school district imposed for the 2014 tax year less an amount
22 equal to the amount determined by multiplying \$10,000 times the tax
23 rate of the school district for the 2015 tax year, plus any 2015 tax
24 attributable to improvements made in 2014, other than improvements
25 made to comply with governmental regulations or repairs.

26 (a-3) Except as provided by Subsections (a-4) and
27 [~~Subsection~~] (b), a limitation on tax increases provided by this

1 section on a residence homestead computed under Subsection (a-1) or
2 (a-2) continues to apply to the homestead in subsequent tax years
3 until the limitation expires.

4 (a-4) Notwithstanding the other provisions of this section,
5 if in the 2022 tax year an individual qualifies for a limitation on
6 tax increases provided by this section on the individual's
7 residence homestead, the amount of the limitation provided by this
8 section on the homestead in the 2022 tax year is equal to the amount
9 computed by:

10 (1) multiplying the amount of tax the school district
11 imposed on the homestead in the 2021 tax year by a fraction the
12 numerator of which is the current debt rate of the district for the
13 2022 tax year and the denominator of which is the tax rate of the
14 district for the 2021 tax year; and

15 (2) adding any tax imposed in the 2022 tax year
16 attributable to improvements made in the 2021 tax year as provided
17 by Subsection (b) to the lesser of the amount computed under
18 Subdivision (1) or the amount of tax the district imposed on the
19 homestead in the 2021 tax year.

20 (a-5) Except as provided by Subsection (b), a limitation on
21 tax increases provided by this section on a residence homestead
22 computed under Subsection (a-4) continues to apply to the residence
23 homestead in subsequent tax years until the limitation expires.

24 (b) If an individual makes improvements to the individual's
25 residence homestead, other than improvements required to comply
26 with governmental requirements or repairs, the school district may
27 increase the tax on the homestead in the first year the value of the

1 homestead is increased on the appraisal roll because of the
2 enhancement of value by the improvements. The amount of the tax
3 increase is determined by applying the current debt [~~tax~~] rate to
4 the difference in the assessed value of the homestead with the
5 improvements and the assessed value it would have had without the
6 improvements. A limitation imposed by this section then applies to
7 the increased amount of tax until more improvements, if any, are
8 made.

9 (e) For each school district in an appraisal district, the
10 chief appraiser shall determine the portion of the appraised value
11 of residence homesteads of individuals on which school district
12 taxes are not imposed in a tax year because of the limitation on tax
13 increases imposed by this section. That portion is calculated by
14 determining the taxable value that, if multiplied by the current
15 debt [~~tax~~] rate adopted by the school district for the tax year,
16 would produce an amount equal to the amount of tax that would have
17 been imposed by the school district on those residence homesteads
18 if the limitation on tax increases imposed by this section were not
19 in effect, but that was not imposed because of that limitation. The
20 chief appraiser shall determine that taxable value and certify it
21 to the comptroller as soon as practicable for each tax year.

22 SECTION 1.03. Section 26.09, Tax Code, is amended by adding
23 Subsection (f) to read as follows:

24 (f) For purposes of calculating the tax imposed on the
25 residence homestead of an adult by a school district, the tax rate
26 of the district is considered to be the district's current debt
27 rate.

1 SECTION 1.04. This article applies only to ad valorem taxes
2 imposed for a tax year beginning on or after the effective date of
3 this Act.

4 ARTICLE 2. SALES AND USE TAXES; PAYMENTS TO SCHOOL DISTRICTS

5 SECTION 2.01. Subchapter A, Chapter 151, Tax Code, is
6 amended by adding Section 151.0021 to read as follows:

7 Sec. 151.0021. "ACCOUNTING AND AUDIT SERVICES."

8 "Accounting and audit services" means the making and recording of
9 business financial records and statements, the creation and
10 implementation of accounting or bookkeeping systems, cost
11 accounting or bookkeeping services, and services provided by a
12 certified public accountant, enrolled agent, or bookkeeping firm in
13 connection with the preparation of financial and auditing reports.
14 The term includes financial planning services, tax return
15 preparation, and budgeting services.

16 SECTION 2.02. Section 151.0028(b), Tax Code, is amended to
17 read as follows:

18 (b) "Amusement services" includes:

19 (1) membership in a private club or organization that
20 provides entertainment, recreational, sports, dining, or social
21 facilities to its members; and

22 (2) an admission or ticket to a high school or
23 collegiate sporting event.

24 SECTION 2.03. Subchapter A, Chapter 151, Tax Code, is
25 amended by adding Sections 151.0037, 151.0041, and 151.0046 to read
26 as follows:

27 Sec. 151.0037. "ENGINEERING SERVICES." "Engineering

1 services" means an act or activity constituting the "practice of
2 engineering" as that term is defined by Section 1001.003,
3 Occupations Code, and any other act or activity provided to an
4 engineer's client in relation to the practice of engineering.

5 Sec. 151.0041. "LEGAL SERVICES." "Legal services" means an
6 act or activity constituting the practice of law and any other act
7 or activity provided by an attorney-at-law licensed by the Supreme
8 Court of Texas to a client in connection with the practice of law.
9 The term also includes services provided by a paralegal or a legal
10 secretary employed by an attorney-at-law and provided to the
11 attorney's client in relation to the practice of law and lawyer
12 referral services.

13 Sec. 151.0046. "REAL ESTATE BROKERAGE AND AGENCY SERVICES."
14 "Real estate brokerage and agency services" means acts or services
15 described by Section 1101.002(1), (6), or (7), Occupations Code,
16 that are performed by a person licensed or registered under Chapter
17 1101, Occupations Code, including by a person described by Section
18 1101.002(2) or (8) of that code.

19 SECTION 2.04. Section 151.0101(a), Tax Code, is amended to
20 read as follows:

21 (a) "Taxable services" means:
22 (1) amusement services;
23 (2) cable television services;
24 (3) personal services;
25 (4) motor vehicle parking and storage services;
26 (5) the repair, remodeling, maintenance, and
27 restoration of tangible personal property, except:

- 1 (A) aircraft;
- 2 (B) a ship, boat, or other vessel, other than:
- 3 (i) a taxable boat or motor as defined by
- 4 Section 160.001;
- 5 (ii) a sports fishing boat; or
- 6 (iii) any other vessel used for pleasure;
- 7 (C) the repair, maintenance, and restoration of a
- 8 motor vehicle; and
- 9 (D) the repair, maintenance, creation, and
- 10 restoration of a computer program, including its development and
- 11 modification, not sold by the person performing the repair,
- 12 maintenance, creation, or restoration service;
- 13 (6) telecommunications services;
- 14 (7) credit reporting services;
- 15 (8) debt collection services;
- 16 (9) insurance services;
- 17 (10) information services;
- 18 (11) real property services;
- 19 (12) data processing services;
- 20 (13) real property repair and remodeling;
- 21 (14) security services;
- 22 (15) telephone answering services;
- 23 (16) Internet access service; ~~and~~
- 24 (17) a sale by a transmission and distribution
- 25 utility, as defined in Section 31.002, Utilities Code, of
- 26 transmission or delivery of service directly to an electricity
- 27 end-use customer whose consumption of electricity is subject to

1 taxation under this chapter;

2 (18) accounting and audit services;

3 (19) engineering services;

4 (20) legal services; and

5 (21) real estate brokerage and agency services.

6 SECTION 2.05. Section 151.801, Tax Code, is amended by
7 amending Subsection (a) and adding Subsection (c-4) to read as
8 follows:

9 (a) Except for the amounts allocated under Subsections (b),
10 (c), (c-2), ~~[and]~~ (c-3), and (c-4), all proceeds from the
11 collection of the taxes imposed by this chapter shall be deposited
12 to the credit of the general revenue fund.

13 (c-4) The amount of the proceeds from the collection of the
14 taxes imposed by this chapter on the sale, storage, or use of
15 taxable items not subject to the taxes on January 1, 2021, shall be
16 deposited to the credit of the school district reimbursement trust
17 fund under Section 151.802.

18 SECTION 2.06. Section 151.801(d), Tax Code, as effective
19 September 1, 2021, is amended to read as follows:

20 (d) The comptroller shall determine the amount to be
21 deposited to the state highway fund under Subsection (b) according
22 to available statistical data indicating the estimated average or
23 actual consumption or sales of lubricants used to propel motor
24 vehicles over the public roadways. The comptroller shall determine
25 the amounts to be deposited to the accounts under Subsection (c)
26 according to available statistical data indicating the estimated or
27 actual total receipts in this state from taxable sales of sporting

1 goods, and according to the specific amounts provided in the
2 General Appropriations Act in accordance with Subsection (c-1).
3 The comptroller shall determine the amount to be deposited to the
4 fund under Subsection (c-2) according to available statistical data
5 indicating the estimated or actual total receipts in this state
6 from taxes imposed on sales at retail of fireworks. The comptroller
7 shall determine the amount to be deposited to the account under
8 Subsection (c-3) according to available statistical data
9 indicating the estimated or actual total receipts in this state
10 from taxable sales of horse feed, horse supplements, horse tack,
11 horse bedding and grooming supplies, and other taxable expenditures
12 directly related to horse ownership, riding, or boarding. The
13 comptroller shall determine the amount to be deposited to the fund
14 under Subsection (c-4) according to available statistical data
15 indicating the estimated or actual total receipts in this state
16 from taxable sales of taxable items described by that subsection.
17 If satisfactory data are not available, the comptroller may require
18 taxpayers who make taxable sales or uses of those lubricants, of
19 sporting goods, of fireworks, or of taxable items described by
20 Subsection (c-4) or of horse feed, horse supplements, horse tack,
21 horse bedding and grooming supplies, or other taxable expenditures
22 directly related to horse ownership, riding, or boarding to report
23 to the comptroller as necessary to make the allocation required by
24 Subsection (b), (c), (c-2), [~~or~~] (c-3), or (c-4).

25 SECTION 2.07. Subchapter M, Chapter 151, Tax Code, is
26 amended by adding Section 151.802 to read as follows:

27 Sec. 151.802. SCHOOL DISTRICT REIMBURSEMENT TRUST FUND.

1 (a) The school district reimbursement trust fund is created as a
2 trust fund outside the state treasury to be held with the
3 comptroller in trust. The fund consists of money deposited to the
4 credit of the fund under Section 151.801(c-4). The comptroller
5 shall administer the fund as trustee on behalf of each school
6 district in this state.

7 (b) Beginning in 2023, not later than April 1 of each year,
8 the comptroller shall pay to each school district an amount equal to
9 the revenue the school district was unable to collect in the
10 preceding tax year because of the exemption under Section 11.13(s).
11 A school district must apply for the payment authorized under this
12 subsection on a form promulgated by the comptroller. If the
13 comptroller determines that the balance of the fund in a year is not
14 sufficient to pay the full amount of lost revenue to each school
15 district that applies for a payment in that year, the comptroller
16 shall proportionately reduce the amount of each payment made to a
17 school district as necessary to prevent the fund from becoming
18 insolvent.

19 SECTION 2.08. The following provisions of the Tax Code are
20 repealed:

- 21 (1) Section 151.3021;
22 (2) Section 151.3071;
23 (3) Section 151.3101; and
24 (4) Section 151.311.

25 SECTION 2.09. The changes in law made by this article do not
26 affect tax liability accruing before the effective date of this
27 Act. That liability continues in effect as if this Act had not been

1 enacted, and the former law is continued in effect for the
2 collection of taxes due and for civil and criminal enforcement of
3 the liability for those taxes.

4 ARTICLE 3. EFFECTIVE DATE

5 SECTION 3.01. This Act takes effect January 1, 2022, but
6 only if the constitutional amendment proposed by the 87th
7 Legislature, Regular Session, 2021, authorizing the legislature to
8 exempt from ad valorem taxation by a school district for
9 maintenance and operations purposes all or part of the appraised
10 value of a residence homestead and to use state money to offset the
11 resulting revenue loss to school districts is approved by the
12 voters. If that amendment is not approved by the voters, this Act
13 has no effect.