

By: Pacheco

H.B. No. 381

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the establishment of a limitation on the total amount of
3 ad valorem taxes that taxing units may impose on the residence
4 homesteads of individuals who are disabled or elderly and their
5 surviving spouses.

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

7 SECTION 1. The heading to Section 11.26, Tax Code, is
8 amended to read as follows:

9 Sec. 11.26. LIMITATION OF TAXES [~~SCHOOL TAX~~] ON HOMESTEADS
10 OF INDIVIDUALS WHO ARE ELDERLY OR DISABLED.

11 SECTION 2. Sections 11.26(a), (a-1), (a-2), (a-3), (b),
12 (c), (e), (g), (h), (i), (i-1), (j), (k), and (o), Tax Code, are
13 amended to read as follows:

14 (a) The tax officials shall appraise [~~the~~] property to which
15 this section applies and calculate taxes as on other property, but
16 if the tax [~~so~~] calculated exceeds the limitation imposed by this
17 section, the tax imposed is the amount of the tax as limited by this
18 section, except as otherwise provided by this section. A taxing
19 unit [~~school district~~] may not increase the total annual amount of
20 ad valorem tax it imposes on the residence homestead of an
21 individual 65 years of age or older or on the residence homestead of
22 an individual who is disabled, as defined by Section 11.13, above
23 the amount of the tax it imposed in the first tax year in which the
24 individual qualified that residence homestead for the applicable

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

23 (a-1) If the first tax year the individual qualified the
24 residence homestead for the exemption provided by Section 11.13(c)
25 for individuals 65 years of age or older or disabled was a tax year
26 before the 2022 tax year, the amount of the limitation on school
27 district taxes provided by this section is the amount of those taxes

1 imposed for the 2021 tax year plus any 2022 tax attributable to
2 improvements made in 2021, other than improvements made to comply
3 with governmental regulations or repairs [~~Notwithstanding the~~
4 ~~other provisions of this section, if in the 2007 tax year an~~
5 ~~individual qualifies for a limitation on tax increases provided by~~
6 ~~this section on the individual's residence homestead and the first~~
7 ~~tax year the individual or the individual's spouse qualified for an~~
8 ~~exemption under Section 11.13(c) for the same homestead was the~~
9 ~~2006 tax year, the amount of the limitation provided by this section~~
10 ~~on the homestead in the 2007 tax year is equal to the amount~~
11 ~~computed by:~~

12 [~~(1) multiplying the amount of tax the school district~~
13 ~~imposed on the homestead in the 2006 tax year by a fraction the~~
14 ~~numerator of which is the tax rate of the district for the 2007 tax~~
15 ~~year and the denominator of which is the tax rate of the district~~
16 ~~for the 2006 tax year; and~~

17 [~~(2) adding any tax imposed in the 2007 tax year~~
18 ~~attributable to improvements made in the 2006 tax year as provided~~
19 ~~by Subsection (b) to the lesser of the amount computed under~~
20 ~~Subdivision (1) or the amount of tax the district imposed on the~~
21 ~~homestead in the 2006 tax year].~~

22 (a-2) If the first tax year the individual qualified the
23 residence homestead for the exemption provided by Section 11.13(c)
24 for individuals 65 years of age or older or disabled was a tax year
25 before the 2022 tax year and the homestead qualified for a
26 limitation on county, municipal, or junior college district taxes
27 under former Section 11.261, the amount of the limitation on

1 county, municipal, or junior college district taxes, as applicable,
2 provided by this section is the amount of the tax imposed by the
3 applicable taxing unit for the 2021 tax year, plus any 2022 tax
4 attributable to improvements made in 2021, other than improvements
5 made to comply with governmental regulations or repairs
6 ~~[Notwithstanding the other provisions of this section, if in the~~
7 ~~2007 tax year an individual qualifies for a limitation on tax~~
8 ~~increases provided by this section on the individual's residence~~
9 ~~homestead and the first tax year the individual or the individual's~~
10 ~~spouse qualified for an exemption under Section 11.13(c) for the~~
11 ~~same homestead was a tax year before the 2006 tax year, the amount~~
12 ~~of the limitation provided by this section on the homestead in the~~
13 ~~2007 tax year is equal to the amount computed by:~~

14 ~~[(1) multiplying the amount of tax the school district~~
15 ~~imposed on the homestead in the 2005 tax year by a fraction the~~
16 ~~numerator of which is the tax rate of the district for the 2006 tax~~
17 ~~year and the denominator of which is the tax rate of the district~~
18 ~~for the 2005 tax year;~~

19 ~~[(2) adding any tax imposed in the 2006 tax year~~
20 ~~attributable to improvements made in the 2005 tax year as provided~~
21 ~~by Subsection (b) to the lesser of the amount computed under~~
22 ~~Subdivision (1) or the amount of tax the district imposed on the~~
23 ~~homestead in the 2005 tax year;~~

24 ~~[(3) multiplying the amount computed under~~
25 ~~Subdivision (2) by a fraction the numerator of which is the tax rate~~
26 ~~of the district for the 2007 tax year and the denominator of which~~
27 ~~is the tax rate of the district for the 2006 tax year; and~~

1 ~~[(4) adding to the lesser of the amount computed under~~
2 ~~Subdivision (2) or (3) any tax imposed in the 2007 tax year~~
3 ~~attributable to improvements made in the 2006 tax year, as provided~~
4 ~~by Subsection (b)].~~

5 (a-3) Except as provided by Subsection (a-2), for the
6 purpose of calculating a limitation on tax increases by a taxing
7 unit other than a school district under this section, an individual
8 who qualified a residence homestead before January 1, 2022, for an
9 exemption under Section 11.13(c) for individuals 65 years of age or
10 older or disabled is considered to have qualified the homestead for
11 that exemption on January 1, 2022 ~~[(b), a limitation on tax~~
12 ~~increases provided by this section on a residence homestead~~
13 ~~computed under Subsection (a-1) or (a-2) continues to apply to the~~
14 ~~homestead in subsequent tax years until the limitation expires].~~

15 (b) If an individual makes improvements to the individual's
16 residence homestead, other than improvements required to comply
17 with governmental requirements or repairs, a taxing unit ~~[the~~
18 ~~school district]~~ may increase the tax on the homestead in the first
19 year the value of the homestead is increased on the appraisal roll
20 because of the enhancement of value by the improvements. The amount
21 of the tax increase is determined by applying the taxing unit's
22 current tax rate to the difference in the assessed value of the
23 homestead with the improvements and the assessed value it would
24 have had without the improvements. A limitation under ~~[imposed by]~~
25 this section ~~[then]~~ applies to the increased amount of tax in
26 subsequent tax years until more improvements, if any, are made.

27 (c) The limitation on tax increases required by this section

1 expires if on January 1:

2 (1) none of the owners of the structure who qualify for
3 the exemption under Section 11.13(c) for individuals 65 years of
4 age or older or disabled and who owned the structure when the
5 limitation first took effect is using the structure as a residence
6 homestead; or

7 (2) none of the owners of the structure qualifies for
8 the exemption described by Subdivision (1).

9 (e) For each school district participating in an appraisal
10 district, the chief appraiser shall determine the portion of the
11 appraised value of residence homesteads of individuals on which
12 school district taxes are not imposed in a tax year because of the
13 limitation on tax increases imposed by this section. That portion
14 is calculated by determining the taxable value that, if multiplied
15 by the 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 (g) Except as provided by Subsection (b), if an individual
23 who receives a limitation on tax increases imposed by this section,
24 including a surviving spouse who receives a limitation under
25 Subsection (i), subsequently qualifies a different residence
26 homestead for the same exemption under Section 11.13, a taxing unit
27 [~~school district~~] may not impose ad valorem taxes on the

1 subsequently qualified homestead in a year in an amount that
2 exceeds the amount of taxes the taxing unit [~~school district~~] would
3 have imposed on the subsequently qualified homestead in the first
4 year in which the individual receives that same exemption for the
5 subsequently qualified homestead had the limitation on tax
6 increases imposed by this section not been in effect, multiplied by
7 a fraction the numerator of which is the total amount of [~~school~~
8 ~~district~~] taxes imposed by a taxing unit of the same type on the
9 former homestead in the last year in which the individual received
10 that same exemption for the former homestead and the denominator of
11 which is the total amount of [~~school district~~] taxes that would have
12 been imposed by the taxing unit of the same type on the former
13 homestead in the last year in which the individual received that
14 same exemption for the former homestead had the limitation on tax
15 increases imposed by this section not been in effect. A limitation
16 under this subsection does not apply to a taxing unit if the former
17 homestead was not subject to taxation by a taxing unit of the same
18 type in the last year in which the individual received the exemption
19 for the former homestead.

20 (h) An individual who receives a limitation on tax increases
21 under this section, including a surviving spouse who receives a
22 limitation under Subsection (i), and who subsequently qualifies a
23 different residence homestead for an exemption under Section 11.13,
24 or an agent of the individual, is entitled to receive from the chief
25 appraiser of the appraisal district in which the former homestead
26 was located a written certificate providing the information
27 necessary to determine whether the individual may qualify for that

1 same limitation on the subsequently qualified homestead under
2 Subsection (g) and to calculate the amount of taxes the taxing units
3 [~~school district~~] may impose on the subsequently qualified
4 homestead.

5 (i) If an individual who qualifies for the exemption
6 provided by Section 11.13(c) for individuals 65 years of age or
7 older or disabled dies, the surviving spouse of the individual is
8 entitled to the limitation applicable to the residence homestead of
9 the individual if:

10 (1) the surviving spouse is 55 years of age or older or
11 disabled when the individual dies; and

12 (2) the residence homestead of the individual:

13 (A) is the residence homestead of the surviving
14 spouse on the date that the individual dies; and

15 (B) remains the residence homestead of the
16 surviving spouse.

17 (i-1) A limitation on school district taxes under
18 Subsection (i) applicable to the residence homestead of the
19 surviving spouse of an individual who was disabled and who died
20 before January 1, 2020, is calculated as if the surviving spouse was
21 entitled to the limitation when the individual died.

22 (j) If an individual who qualifies for an exemption provided
23 by Section 11.13(c) for an individual 65 years of age or older dies
24 in the first year in which the individual qualified for the
25 exemption and the individual first qualified for the exemption
26 after the beginning of that year, except as provided by Subsection
27 (k), the amount to which the surviving spouse's [~~school district~~]

1 taxes imposed by a taxing unit are limited under Subsection (i) is
2 the amount of [~~school district~~] taxes imposed by the taxing unit on
3 the residence homestead in that year determined as if the
4 individual qualifying for the exemption had lived for the entire
5 year.

6 (k) If in the first tax year after the year in which an
7 individual dies in the circumstances described by Subsection (j)
8 the amount of [~~school district~~] taxes imposed by a taxing unit on
9 the residence homestead of the surviving spouse is less than the
10 amount of [~~school district~~] taxes imposed by the taxing unit in the
11 preceding year as limited by Subsection (j), in a subsequent tax
12 year the [~~surviving spouse's school district~~] taxes imposed by that
13 taxing unit on that residence homestead are limited to the amount of
14 taxes imposed by the district in that first tax year after the year
15 in which the individual dies.

16 (o) Notwithstanding Subsections (a) [~~7(a-3)~~] and (b), an
17 improvement to property that would otherwise constitute an
18 improvement under Subsection (b) is not treated as an improvement
19 under that subsection if the improvement is a replacement structure
20 for a structure that was rendered uninhabitable or unusable by a
21 casualty or by wind or water damage. For purposes of appraising the
22 property in the tax year in which the structure would have
23 constituted an improvement under Subsection (b), the replacement
24 structure is considered to be an improvement under that subsection
25 only if:

26 (1) the square footage of the replacement structure
27 exceeds that of the replaced structure as that structure existed

1 before the casualty or damage occurred; or

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

5 SECTION 3. Sections 23.19(b) and (g), Tax Code, are amended
6 to read as follows:

7 (b) If an appraisal district receives a written request for
8 the appraisal of real property and improvements of a cooperative
9 housing corporation according to the separate interests of the
10 corporation's stockholders, the chief appraiser shall separately
11 appraise the interests described by Subsection (d) if the
12 conditions required by Subsections (e) and (f) have been met.
13 Separate appraisal under this section is for the purposes of
14 administration of tax exemptions, determination of applicable
15 limitations of taxes under Section 11.26 [~~or 11.261~~], and
16 apportionment by a cooperative housing corporation of property
17 taxes among its stockholders but is not the basis for determining
18 value on which a tax is imposed under this title. A stockholder
19 whose interest is separately appraised under this section may
20 protest and appeal the appraised value in the manner provided by
21 this title for protest and appeal of the appraised value of other
22 property.

23 (g) A tax bill or a separate statement accompanying the tax
24 bill to a cooperative housing corporation for which interests of
25 stockholders are separately appraised under this section must
26 state, in addition to the information required by Section 31.01,
27 the appraised value and taxable value of each interest separately

1 appraised. Each exemption claimed as provided by this title by a
2 person entitled to the exemption shall also be deducted from the
3 total appraised value of the property of the corporation. The total
4 tax imposed by a taxing unit [~~school district, county,~~
5 ~~municipality, or junior college district~~] shall be reduced by any
6 amount that represents an increase in taxes attributable to
7 separately appraised interests of the real property and
8 improvements that are subject to a [~~the~~] limitation of taxes
9 prescribed by Section 11.26 [~~or 11.261~~]. The corporation shall
10 apportion among its stockholders liability for reimbursing the
11 corporation for property taxes according to the relative taxable
12 values of their interests.

13 SECTION 4. Sections 26.012(6), (13), and (14), Tax Code,
14 are amended to read as follows:

15 (6) "Current total value" means the total taxable
16 value of property listed on the appraisal roll for the current year,
17 including all appraisal roll supplements and corrections as of the
18 date of the calculation, less the taxable value of property
19 exempted for the current tax year for the first time under Section
20 11.31 or 11.315, except that:

21 (A) the current total value for a school district
22 excludes:

23 (i) the total value of homesteads that
24 qualify for a tax limitation as provided by Section 11.26; and

25 (ii) new property value of property that is
26 subject to an agreement entered into under Chapter 313; and

27 (B) the current total value for a taxing unit

1 other than a school district [~~county, municipality, or junior~~
2 ~~college district~~] excludes the total value of homesteads that
3 qualify for a tax limitation provided by Section 11.26 [~~11.261~~].

4 (13) "Last year's levy" means the total of:

5 (A) the amount of taxes that would be generated
6 by multiplying the total tax rate adopted by the governing body in
7 the preceding year by the total taxable value of property on the
8 appraisal roll for the preceding year, including:

9 (i) taxable value that was reduced in an
10 appeal under Chapter 42;

11 (ii) all appraisal roll supplements and
12 corrections other than corrections made pursuant to Section
13 25.25(d), as of the date of the calculation but excluding [~~except~~
14 ~~that last year's taxable value for a school district excludes~~] the
15 total value of homesteads that qualified for a tax limitation as
16 provided by Section 11.26 [~~and last year's taxable value for a~~
17 ~~county, municipality, or junior college district excludes the total~~
18 ~~value of homesteads that qualified for a tax limitation as provided~~
19 ~~by Section 11.261~~]; and

20 (iii) the portion of taxable value of
21 property that is the subject of an appeal under Chapter 42 on July
22 25 that is not in dispute; and

23 (B) the amount of taxes refunded by the taxing
24 unit in the preceding year for tax years before that year.

25 (14) "Last year's total value" means the total taxable
26 value of property listed on the appraisal roll for the preceding
27 year, including all appraisal roll supplements and corrections,

1 other than corrections made pursuant to Section 25.25(d), as of the
2 date of the calculation but excluding~~[, except that:~~

3 ~~[(A) last year's taxable value for a school~~
4 ~~district excludes]~~ the total value of homesteads that qualified for
5 a tax limitation as provided by Section 11.26~~[, and~~

6 ~~[(B) last year's taxable value for a county,~~
7 ~~municipality, or junior college district excludes the total value~~
8 ~~of homesteads that qualified for a tax limitation as provided by~~
9 ~~Section 11.261].~~

10 SECTION 5. The following provisions of the Tax Code are
11 repealed:

- 12 (1) Sections 11.26(1) and (m); and
13 (2) Section 11.261.

14 SECTION 6. Section 11.26, Tax Code, as amended by this Act,
15 applies only to ad valorem taxes imposed for a tax year beginning on
16 or after the effective date of this Act.

17 SECTION 7. This Act takes effect January 1, 2022, but only
18 if the constitutional amendment proposed by the 87th Legislature,
19 Regular Session, 2021, establishing a limitation on the total
20 amount of ad valorem taxes that political subdivisions may impose
21 on the residence homesteads of individuals who are disabled or
22 elderly and their surviving spouses is approved by the voters. If
23 that constitutional amendment is not approved by the voters, this
24 Act has no effect.