

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

1 appraisal of the property that increases the market value of the
2 property and the value of which is not included in the appraised
3 value of the property for the preceding tax year. The term does not
4 include repairs to or ordinary maintenance of an existing structure
5 or the grounds or another feature of the property.

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

8 (A) that is a residence homestead;

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

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

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

17 (b) Notwithstanding the requirements of Sections 23.23 and
18 25.18, and regardless of whether the appraisal office has appraised
19 the property and determined the market value of the property for the
20 tax year, an appraisal office may increase the appraised value of a
21 rapidly appreciating residence homestead for a tax year to an
22 amount not to exceed the lesser of:

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

26 (2) the sum of:

27 (A) the appraised value of the property for the

1 2017 tax year; and

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

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

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

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

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

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

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

24 (1) the appraised value the property would have had in
25 the preceding tax year if the casualty or damage had not occurred is
26 considered to be the appraised value of the property for that year,
27 regardless of whether that appraised value exceeds the actual

1 appraised value of the property for that year as limited by
2 Subsection (b); and

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

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

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

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

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

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

23 SECTION 3. Section 25.19(b), Tax Code, as effective January
24 1, 2022, is amended to read as follows:

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

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

1 taxable;

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

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

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

13 (4-a) a statement of whether the property qualifies
14 for a limitation on appraised value adopted under Section 23.231;

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

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

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

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

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

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

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

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

20 (2-a) a statement of whether the property qualifies
21 for a limitation on appraised value adopted under Section 23.231;

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

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

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

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

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

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

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

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

12 (4-a) determination that the owner's property does not
13 qualify for a limitation on appraised value adopted under Section
14 23.231;

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

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

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

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

26 (9) any other action of the chief appraiser, appraisal
27 district, or appraisal review board that applies to and adversely

1 affects the property owner.

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

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

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

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