

BILL ANALYSIS

Senate Research Center
88S10075 CJC/TJB/KJE-D

S.J.R. 1
By: Bettencourt
Finance
5/30/2023
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 84th Legislature passed, and voters approved, increasing the homestead exemption from \$15,000 to \$25,000 in 2015. Similarly, the 87th Legislature passed S.J.R. 2, which was approved by voters in May 2022, increasing the exemption up to \$40,000 per homestead. In the 88th Legislature, S.J.R. 1 would raise the homestead exemption to \$100,000.

This increase in the homestead exemption amount will provide a savings of \$681 to a homeowner's school tax at the statewide average independent school district (ISD) tax rate of \$1.136.

S.B. 1 is the enabling legislation for S.J.R. 1. Included in S.B. 1 is a hold-harmless provision to school districts whereby the state will make up any formula funding deficit a school district might incur as a result of this exemption increase.

S.J.R. 1 would put to the voters the option to increase the homestead exemption amount to \$100,000. S.J.R. 1 does contain a temporary provision, like what was done last year, which permits the increase to \$100,000 for the tax year of 2023 if approved in November 2023 to make the exemption effective immediately. This temporary section of S.J.R. 1 will expire at the end of 2023, and the language in S.B. 1 would become the permanent increase in the constitutional homestead exemption amount going forward as of January 1, 2024.

S.J.R. 1 also contains a provision to provide the full amount of the \$40,000 homestead exemption increase to over 65/disabled exemption holders who did not receive the full benefit from S.J.R. 3 and S.B. 1 that was approved by voters in May 2022. Additionally, S.J.R. 1 contains language that if a future legislature increases the homestead exemption, over 65/disabled exemption holders will automatically benefit from the increased exemption amount. This provision will eliminate the need to have a separate constitutional amendment every time the exemption amount is increased for over 65/disabled exemption holders.

S.J.R. 1 seeks to increase the constitutional homestead exemption amount to \$100,000.

S.B. 1 is the enabling legislation for S.J.R. 1.

S.J.R. 1 proposes a constitutional amendment to increase the amount of the exemption from ad valorem taxation by a school district applicable to residence homesteads, to adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in certain exemption amounts, and to except certain appropriations to pay for school district ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 1-b(c) and (d), Article VIII, Texas Constitution, as follows:

(c) Provides that the amount of \$100,000, rather than \$40,000, of the market value of the residence homestead of a married or unmarried adult, including one living alone, is exempt from ad valorem taxation for general elementary and secondary public school purposes.

(d) Requires the legislature, for a residence homestead subject to the limitation provided by this subsection in the 2021 tax year or an earlier tax year, to provide for a reduction in the amount of the limitation for the 2023 tax year and subsequent tax years in an amount equal to \$15,000 multiplied by the 2022 tax rate for general elementary and secondary public school purposes applicable to the residence homestead. Requires the legislature, beginning with the 2023 tax year, for any tax year in which the amount of the exemption provided by Subsection (c) of Section 1-b (Residence Homestead Tax Exemptions and Limitations) applicable to the residence homestead of a married or unmarried adult, including one living alone, or the amount of the exemption provided by Subsection (c) of this section applicable to the residence homestead of a person who is disabled as defined by Subsection (b) (relating to authorizing the governing body of any county, city, town, school district, or other political subdivision of the state to exempt not less than \$3,000 of the market value of residence homesteads of persons, married or unmarried, including those living alone, who are under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors, and Disability Insurance or its successor or of married or unmarried persons 65 years of age or older, including those living alone, from all ad valorem taxes thereafter levied by the political subdivision) of this section and of a person 65 years of age or older is increased, to provide for a reduction for that tax year and subsequent tax years in the amount of the limitation provided by this subsection applicable to a residence homestead that was subject to the limitation in the tax year preceding the tax year in which the amount of the exemption is increased in an amount equal to the amount by which the amount of the exemption is increased multiplied by the tax rate for general elementary and secondary public school purposes applicable to the residence homestead for the tax year in which the amount of the exemption is increased.

SECTION 2. Amends Section 22, Article VIII, Texas Constitution, by adding Subsection (a-1), as follows:

(a-1) Provides that the appropriations from state tax revenues not dedicated by this constitution that are made for the purpose of paying for school district ad valorem tax relief as identified by the legislature by general law are not included as appropriations for purposes of determining whether the rate of growth of appropriations exceeds the limitation prescribed by Subsection (a) (relating to prohibiting the rate of growth of appropriations from state tax revenues not dedicated by this constitution from exceeding the estimated rate of growth of the state's economy) of Section 22 (Restriction on Rate of Growth of Appropriations).

SECTION 3. Provides that the following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 88th Legislature, 1st Called Session, 2023, to increase the amount of the exemption from ad valorem taxation by a school district applicable to residence homesteads, to adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in certain exemption amounts, and to except certain appropriations to pay for school district ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations.

(b) Provides that the amendments to Sections 1-b(c) and (d), Article VIII (Taxation and Revenue), of this constitution take effect for the tax year beginning January 1, 2023.

(c) Provides that the amendment to Section 22, Article VIII, of this constitution applies to appropriations made for the state fiscal biennium beginning September 1, 2023, and subsequent state fiscal bienniums.

(d) Provides that this temporary provision expires January 1, 2025.

SECTION 4. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 7, 2023. Sets forth the required language of the ballot.