

By: Tepper

H.B. No. 28

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value of commercial real property and single-family rental property 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 real property ~~[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 COMMERCIAL REAL PROPERTY AND SINGLE-FAMILY RENTAL PROPERTY. (a) In this section:

(1) "Commercial real property" means real property held or used for the production of income, other than property held or used for single-family use, multifamily use, heavy industrial use, or use as a quarry.

(2) "Disaster recovery program" means a disaster

recovery program funded with community development block grant disaster recovery money authorized by federal law.

(3) "New improvement" means an improvement to commercial real property or single-family rental property 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.

(4) "Single-family rental property" means a structure, including a mobile home, together with the land, not to exceed 20 acres, and improvements used in the residential occupancy of the structure, if the structure and the land and improvements have identical ownership, that:

(A) is owned by one or more individuals, either directly or through a beneficial interest in a qualifying trust;

(B) is designed or adapted for human residence;  
and

(C) is used to produce rental income as a single-family residence.

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

(c) Notwithstanding the requirements of Section 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

parcel of commercial real property or of a single-family rental property 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) eight percent of the appraised value of the property for the preceding tax year;

(B) the appraised value of the property for the preceding tax year; and

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

(d) When appraising a parcel of commercial real property or a single-family rental property, 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 (c)(2).

(e) In order to receive a limitation on appraised value for a single-family rental property, the owner of the property must provide written notice to the chief appraiser that the owner holds the property for the production of income. The owner is not required to provide more than one notice under this subsection. The comptroller by rule shall prescribe the form and manner of providing notice under this subsection.

(f) The limitation provided by Subsection (c) takes effect as to a parcel of commercial real property or a single-family rental

property on January 1 of the tax year following the first tax year in which the owner owns the property on January 1 and in which the property meets the definition of commercial real property or single-family rental property, as applicable. The limitation expires on January 1 of the tax year following the first tax year in which the owner of the property ceases to own the property or the property no longer meets the definition of commercial real property or single-family rental property, as applicable.

(g) For purposes of Subsection (f), a person who acquired commercial real property or a single-family rental property to which this section applies before the 2023 tax year is considered to have acquired the property on January 1, 2023.

(h) Notwithstanding Subsections (a)(3) and (c) and except as provided by Subdivision (2) of this subsection, 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 unusable by a casualty or by wind or water damage. For purposes of appraising the property under Subsection (c) 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 (c); and

(2) the replacement structure is considered to be a

1 new improvement only if:

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

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

8           (i) Notwithstanding Subsection (h)(2), and only to the  
9 extent necessary to satisfy the requirements of a disaster recovery  
10 program, a replacement structure described by that subdivision is  
11 not considered to be a new improvement if to satisfy the  
12 requirements of the disaster recovery program it was necessary  
13 that:

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

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

20           SECTION 3. Sections 25.19(b) and (g), Tax Code, are amended  
21 to read as follows:

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

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

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

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

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

10           (4-a) a statement of whether the property qualifies  
11 for the limitation on appraised value provided by Section 23.231;

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

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

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

21           (8) an explanation of the availability and purpose of  
22 an informal conference with the appraisal office before a hearing  
23 on a protest; and

24           (9) 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.

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

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

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

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

10           (4-a) determination that the owner's property does not  
11 qualify for the limitation on appraised value provided by Section  
12 23.231;

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

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

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

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

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

27           SECTION 5. Section 42.26(d), Tax Code, is amended to read as



1 follows:

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

8 SECTION 6. Sections [403.302](#)(d) and (i), Government Code,  
9 are amended to read as follows:

10 (d) For the purposes of this section, "taxable value" means  
11 the market value of all taxable property less:

12 (1) the total dollar amount of any residence homestead  
13 exemptions lawfully granted under Section [11.13](#)(b) or (c), Tax  
14 Code, in the year that is the subject of the study for each school  
15 district;

16 (2) one-half of the total dollar amount of any  
17 residence homestead exemptions granted under Section [11.13](#)(n), Tax  
18 Code, in the year that is the subject of the study for each school  
19 district;

20 (3) the total dollar amount of any exemptions granted  
21 before May 31, 1993, within a reinvestment zone under agreements  
22 authorized by Chapter [312](#), Tax Code;

23 (4) subject to Subsection (e), the total dollar amount  
24 of any captured appraised value of property that:

25 (A) is within a reinvestment zone created on or  
26 before May 31, 1999, or is proposed to be included within the  
27 boundaries of a reinvestment zone as the boundaries of the zone and

1 the proposed portion of tax increment paid into the tax increment  
2 fund by a school district are described in a written notification  
3 provided by the municipality or the board of directors of the zone  
4 to the governing bodies of the other taxing units in the manner  
5 provided by former Section 311.003(e), Tax Code, before May 31,  
6 1999, and within the boundaries of the zone as those boundaries  
7 existed on September 1, 1999, including subsequent improvements to  
8 the property regardless of when made;

9 (B) generates taxes paid into a tax increment  
10 fund created under Chapter 311, Tax Code, under a reinvestment zone  
11 financing plan approved under Section 311.011(d), Tax Code, on or  
12 before September 1, 1999; and

13 (C) is eligible for tax increment financing under  
14 Chapter 311, Tax Code;

15 (5) the total dollar amount of any captured appraised  
16 value of property that:

17 (A) is within a reinvestment zone:

18 (i) created on or before December 31, 2008,  
19 by a municipality with a population of less than 18,000; and

20 (ii) the project plan for which includes  
21 the alteration, remodeling, repair, or reconstruction of a  
22 structure that is included on the National Register of Historic  
23 Places and requires that a portion of the tax increment of the zone  
24 be used for the improvement or construction of related facilities  
25 or for affordable housing;

26 (B) generates school district taxes that are paid  
27 into a tax increment fund created under Chapter 311, Tax Code; and

1 (C) is eligible for tax increment financing under  
2 Chapter 311, Tax Code;

3 (6) the total dollar amount of any exemptions granted  
4 under Section 11.251 or 11.253, Tax Code;

5 (7) the difference between the comptroller's estimate  
6 of the market value and the productivity value of land that  
7 qualifies for appraisal on the basis of its productive capacity,  
8 except that the productivity value estimated by the comptroller may  
9 not exceed the fair market value of the land;

10 (8) the portion of the appraised value of residence  
11 homesteads of individuals who receive a tax limitation under  
12 Section 11.26, Tax Code, on which school district taxes are not  
13 imposed in the year that is the subject of the study, calculated as  
14 if the residence homesteads were appraised at the full value  
15 required by law;

16 (9) a portion of the market value of property not  
17 otherwise fully taxable by the district at market value because of  
18 action required by statute or the constitution of this state, other  
19 than Section 11.311, Tax Code, that, if the tax rate adopted by the  
20 district is applied to it, produces an amount equal to the  
21 difference between the tax that the district would have imposed on  
22 the property if the property were fully taxable at market value and  
23 the tax that the district is actually authorized to impose on the  
24 property, if this subsection does not otherwise require that  
25 portion to be deducted;

26 (10) the market value of all tangible personal  
27 property, other than manufactured homes, owned by a family or

individual and not held or used for the production of income;

(11) the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.06, Tax Code;

(12) the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code;

(13) the amount by which the market value of property ~~[a residence homestead]~~ to which Section 23.23 or 23.231, Tax Code, applies exceeds the appraised value of that property as calculated under Section 23.23 or 23.231, Tax Code, as applicable ~~[that section]~~; and

(14) the total dollar amount of any exemptions granted under Section 11.35, Tax Code.

(i) If the comptroller determines in the study that the market value of property in a school district as determined by the appraisal district that appraises property for the school district, less the total of the amounts and values listed in Subsection (d) as determined by that appraisal district, is valid, the comptroller, in determining the taxable value of property in the school district under Subsection (d), shall for purposes of Subsection (d)(13) subtract from the market value as determined by the appraisal district of properties ~~[residence homesteads]~~ to which Section 23.23 or 23.231, Tax Code, applies the amount by which that amount exceeds the appraised value of those properties as calculated by the appraisal district under Section 23.23 or 23.231, Tax Code, as applicable. If the comptroller determines in the study that the

1 market value of property in a school district as determined by the  
2 appraisal district that appraises property for the school district,  
3 less the total of the amounts and values listed in Subsection (d) as  
4 determined by that appraisal district, is not valid, the  
5 comptroller, in determining the taxable value of property in the  
6 school district under Subsection (d), shall for purposes of  
7 Subsection (d)(13) subtract from the market value as estimated by  
8 the comptroller of properties [~~residence homesteads~~] to which  
9 Section [23.23](#) or [23.231](#), Tax Code, applies the amount by which that  
10 amount exceeds the appraised value of those properties as  
11 calculated by the appraisal district under Section [23.23](#) or [23.231](#),  
12 Tax Code, as applicable.

13 SECTION 7. This Act applies only to the appraisal of  
14 commercial real property or single-family rental property for ad  
15 valorem tax purposes for a tax year that begins on or after the  
16 effective date of this Act.

17 SECTION 8. This Act takes effect January 1, 2024, but only  
18 if the constitutional amendment proposed by the 88th Legislature,  
19 1st Called Session, 2023, to authorize the legislature to limit the  
20 maximum appraised value of commercial property and rental property  
21 for ad valorem tax purposes is approved by the voters. If that  
22 amendment is not approved by the voters, this Act has no effect.