

RESOLUTION ANALYSIS

H.J.R. 2
By: Metcalf
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Local property taxes in Texas are rapidly rising and becoming increasingly unaffordable. According to data from the comptroller of public accounts, local property tax levies increased nearly 300 percent between 1998 and 2021.

Much of the headache for taxpayers with respect to property taxation is caused by the lack of stability and predictability in appraisals. Although Texas has an existing limitation on appraised value increases, that limitation only applies to residence homesteads. Additionally, concerns remain over the amount of school district recapture payments and the state's share of public education funding. The Texas Commission on Public School Finance in its final report called for additional state education spending and for reductions in both the growth rate of property taxes and recapture payments.

H.J.R. 2 seeks to address these issues and provide property tax relief by proposing a constitutional amendment to:

- allow the legislature to impose a limitation on the annual appraised-value increase for non-homestead real property and prescribe additional eligibility requirements to qualify for this limitation;
- increase the amount of the general school district residence homestead exemption to \$100,000;
- establish that certain appropriations made for the purpose of paying for property tax relief do not count toward the constitutional spending limit; and
- allow the legislature to provide for four-year terms for members of the governing body of an appraisal entity in counties with a population of 75,000 or more.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this resolution does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.J.R. 2 proposes an amendment to the Texas Constitution to authorize the legislature by general law to limit the maximum appraised value of real property other than a residence homestead for property tax purposes in a tax year to the lesser of the most recent market value of the property as determined by the appraisal entity or 120 percent, or a greater percentage, of the appraised value of the property for the preceding tax year. The enacted general law may prescribe additional eligibility requirements for the limitation. The limitation takes effect as to a parcel of

applicable real property on the later of the effective date of the law imposing the limitation or January 1 of the tax year following the first tax year in which the owner owns the property on January 1. The limitation expires on January 1 of the tax year following the tax year in which the owner of the property ceases to own the property.

H.J.R. 2 increases the amount of the general school district residence homestead property tax exemption from \$40,000 to \$100,000. The resolution provides the following with respect to the ceiling on the amount of taxes a school district may impose on the residence homestead of a person who is elderly or disabled:

- for a residence homestead subject to such a tax ceiling in the 2021 tax year or an earlier tax year, the legislature must provide for a reduction in the amount of the limitation on property taxes provided under the tax ceiling 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; and
- beginning with the 2023 tax year, for any tax year in which the amount of the general school district residence homestead exemption applicable to the residence homestead of a married or unmarried adult, including one living alone, or the amount of the exemption applicable to the residence homestead of a person who is elderly or disabled is increased, the legislature must provide for a reduction for that tax year and subsequent tax years in the amount of the limitation provided by the tax ceiling 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.

These provisions take effect for the tax year beginning January 1, 2023.

H.J.R. 2 excludes from the determination of whether the rate of growth of appropriations exceeds the constitutional spending limit appropriations from state tax revenues that are not constitutionally dedicated made for the purpose of paying for property tax relief as identified by the legislature by general law. This change applies to appropriations made for the 2024-2025 state fiscal biennium and subsequent state fiscal bienniums.

H.J.R. 2 authorizes the legislature by general law to provide that members of the governing body of an appraisal entity established in a county with a population of 75,000 or more serve terms not to exceed four years.

ELECTION DATE

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 7, 2023.