

BILL ANALYSIS

Senate Research Center
88S20070 CJC/TJB/KJE-D

S.B. 1
By: Bettencourt
Finance
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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 and was approved by voters in May 2022, increasing the exemption again up to \$40,000 per homestead. In the 88th Legislature, S.B. 1 would raise the homestead exemption to \$100,000.

This increase in homestead exemption amount will provide a savings of \$681 to a homeowner's school tax at the statewide independent school district (ISD) average tax rate of \$1.136*. Included in S.B. 1 is a hold harmless to school districts—the state will make up any formula funding deficit a school district might incur as a result of this exemption increase.

S.B. 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.B. 1 contains language that if a 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.B. 1 seeks to increase the homestead exemption amount to \$100,000.

Additionally, S.B. 1 will do the following:

1. Increases the property tax cut by \$400 million to a total of \$18 billion. The additional \$400 million is going toward lowering the ISD Collection Limit Rate (CLR).
2. Provides a total of \$12.7 billion for ISD tax rate reduction and lowering the CLR, which benefits all Texas property tax payers.
3. Doubles the exemption from paying the franchise tax for business to \$2.47 million, which will remove 67,000 small to medium-sized business from paying the franchise tax.
4. Reduces the ISD CLR from 2.5 percent to 1.75 percent, a 30 percent permanent reduction in future tax levy increases paid by local taxpayers.
5. Removes the requirement to file a no-tax due franchise tax return, saving businesses both time and money.
6. Now includes a provision that restricts all taxing units from reducing or eliminating any existing local option homestead exemptions for a period of four years.

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

*Source: <https://comptroller.texas.gov/taxes/property-tax/rates/index.php>
2022 School District Rates and Levies Report
Statewide ISD average tax rate calculated by Local Government Committee staff

As proposed, S.B. 1 amends current law relating to providing property tax relief through the public school finance system, exemptions, and limitations on taxes and providing franchise tax relief.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

ARTICLE 1. SHORT TITLE

SECTION 1.01. Authorizes this Act to be cited as the Property Tax and Franchise Tax Relief Act.

ARTICLE 2. SCHOOL DISTRICT TAX RATE COMPRESSION

SECTION 2.01. Amends Section 48.255(b), Education Code, to provide that the state compression percentage is the lower of certain percentages, including the percentage determined by a certain formula.

SECTION 2.02. Amends Section 48.2551(b), Education Code, to provide that a school district's maximum compressed rate ("MCR"), except as provided by Subsection (c) (relating to providing that for certain districts, the district's maximum compressed rate is a certain value calculated in a certain manner), is the lesser of certain amounts, including the rate determined by a certain applicable formula.

SECTION 2.03. Amends Subchapter F, Chapter 48, Education Code, by adding Sections 48.2555 and 48.283, as follows:

Sec. 48.2555. MAXIMUM COMPRESSED TAX RATE FOR 2023–2024 SCHOOL YEAR. (a) Requires the commissioner of education (commissioner), notwithstanding any other provision of Title 2 (Public Education) or Chapter 26 (Assessment), Tax Code, for the 2023–2024 school year, to calculate the value of a school district's maximum compressed tax rate by determining the district's maximum compressed rate under Section 48.2551 (Maximum Compressed Tax Rate) or 48.2552(b) (relating to providing that a school district's maximum compressed rate, if the maximum compressed rate would be less than 90 percent of another school district's maximum compressed rate, is a certain value), if applicable, and reducing the tax rate determined under the applicable section by \$0.10.

(b) Provides that a school district's maximum compressed tax rate, if the district's maximum compressed tax rate as calculated under Subsection (a) would be less than 90 percent of another school district's maximum compressed tax rate under Subsection (a), is the value at which the district's maximum compressed tax rate would be equal to 90 percent of the other district's maximum compressed tax rate.

(c) Provides that a reference in certain provisions of law to a school district's maximum compressed tax rate or maximum compressed rate as determined under Section 48.2551, notwithstanding any other provision of this title or Chapter 26, Tax Code, for purposes of determining funding for school districts for the 2023–2024 school year, means the maximum compressed tax rate determined for the district under this section.

(d) Provides that for purposes of Section 30.003(f-1) (relating to requiring the commissioner to determine the total amount that certain schools would have received from school districts if certain provisions had not reduced the districts' share of the cost of providing education services), a reference in that section to Section 48.2551 includes this section.

(e) Provides that the value of a school district's "PYMCR," notwithstanding any other provision of this title, for purposes of determining the district's maximum compressed tax rate under Section 48.2551 for the 2024–2025 school year, is the

maximum compressed tax rate determined for the district under this section for the preceding school year.

(f) Provides that this section expires September 1, 2025.

Sec. 48.283. ADDITIONAL STATE AID FOR CERTAIN DISTRICTS IMPACTED BY COMPRESSION. (a) Entitles a school district that received an adjustment under Section 48.257(b) (relating to providing that this subsection applies only to a school district meeting certain criteria) for the 2022–2023 school year, for the 2023–2024 and 2024–2025 school years, to additional state aid in an amount equal to the difference, if the difference is greater than zero, between:

(1) the amount of state and local revenue that would have been available to the district under Chapter 48 (Foundation School Program) and Chapter 49 (Options for Local Revenue Levels in Excess of Entitlement) for the current school year if the district's maximum compressed tax rate had not been reduced under Section 48.2555, as added by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023; and

(2) the amount of state and local revenue available to the district under this chapter and Chapter 49 for the current school year.

(b) Provides that this section expires September 1, 2026.

ARTICLE 3. RESIDENCE HOMESTEAD EXEMPTIONS

SECTION 3.01. Amends Section 11.13, Tax Code, by amending Subsection (b) and adding Subsection (n-1), as follows:

(b) Entitles an adult to exemption from taxation by a school district of \$100,000, rather than \$40,000, of the appraised value of the adult's residence homestead, except that only \$5,000 of the exemption applies to an entity operating under certain chapters.

(n-1) Prohibits the governing body of a school district, municipality, or county that adopted an exemption under Subsection (n) (relating to providing that an individual is entitled to an exemption from taxation by a taxing unit of a percentage of the appraised value of his residence homestead if certain criteria are met) for the 2022 tax year from reducing the amount of or repealing the exemption. Provides that this subsection expires December 31, 2027.

SECTION 3.02. Amends Section 11.26, Tax Code, by amending Subsections (a), (a-10), and (o) and adding Subsections (a-11) and (a-12), as follows:

(a) Deletes existing text providing that the amount of the limitation provided by Section 11.26 (Limitation of School Tax on Homesteads of Elderly or Disabled), if certain criteria are met, is the amount of tax the school district imposed for the 2014 tax year less an amount equal to the amount determined by multiplying \$10,000 times the tax rate of the school district for the 2015 tax year, plus any 2015 tax attributable to improvements made in 2014, other than improvements made to comply with governmental regulations or repairs.

(a-10) Provides that the amount of the limitation provided by this section on the homestead, notwithstanding the other provisions of this section, if in the 2024 or a subsequent tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead, is equal to the amount computed by:

(1) makes no changes to this subdivision;

(2)-(3) makes nonsubstantive changes to these subdivisions;

(4) multiplying the amount of any increase in the current tax year as compared to the preceding tax year in the aggregate amount of the exemptions to which the individual is entitled under Sections 11.13(b) and (c) (relating to entitling an adult who is disabled or is 65 or older to an exemption from taxation by a school district of a certain amount) by the school district's tax rate for the current tax year; and

(5) subtracting the amount computed under Subdivision (4) from the amount computed under Subdivision (3) (relating to providing that the amount of the limitation provided by this section on the homestead is equal to the amount computed by certain calculations, including by adding any tax imposed in the current tax year attributable to improvements made in the preceding tax year to a certain amount).

(a-11) Provides that this subsection applies only to an individual who in the 2023 tax year qualifies for a limitation under this section and for whom the 2022 tax year or an earlier tax year was the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c). Provides that the amount of the limitation provided by this section on the residence homestead of an individual to which this subsection applies for the 2023 tax year is the amount of the limitation as computed under certain subsections of this section, as applicable, less an amount equal to the product of \$60,000 and the tax rate of the school district for the 2023 tax year. Provides that this subsection expires January 1, 2025.

(a-12) Provides that this subsection applies only to an individual who in the 2023 tax year qualifies for a limitation under this section and for whom the 2021 tax year or an earlier tax year was the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c). Provides that the amount of the limitation provided by this section on the residence homestead of an individual to which this subsection applies for the 2023 tax year is the amount of the limitation as computed under Subsection (a-11) of this section less an amount equal to the product of \$15,000 and the tax rate of the school district for the 2022 tax year. Provides that this subsection expires January 1, 2025.

(o) Makes a conforming change relating to the repeal of Subsection (a-3).

SECTION 3.03. Amends Section 46.071, Education Code, by amending Subsections (a-1) and (b-1) and adding Subsections (a-2), (b-2), and (c-2), as follows:

(a-1) Entitles a school district, for, rather than beginning with, the 2022–2023 school year, to certain aid.

(a-2) Entitles a school district, beginning with the 2023–2024 school year, to additional state aid under Subchapter D (State Aid for Homestead Exemption and Limitation on Tax Increases) to the extent that state and local revenue used to service debt eligible under Chapter 46 (Assistance With Instructional Facilities and Payment of Existing Debt) is less than the state and local revenue that would have been available to the district under this chapter as it existed on September 1, 2022, if any increase in a residence homestead exemption under Section 1-b(c) (relating to providing that the amount of \$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), Article VIII (Taxation and Revenue), Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) (relating to prohibiting the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes, if a person receives a residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons who are 65 years of age or older or who are disabled, except as otherwise provided by this subsection, from increasing while it remains the residence homestead of that person or that person's spouse who receives the exemption) of that article as proposed by the 88th Legislature, 2nd Called Session, 2023, had not occurred.

(b-1) Makes a conforming change to this subsection.

(b-2) Provides that additional state aid under Section 46.071 (Additional State Aid for Homestead Exemption and Limitation on Tax Increases) beginning with the 2023–2024 school year, subject to certain subsections, is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to any increase in a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 88th Legislature, 2nd Called Session, 2023, is not offset by a gain in state aid under this chapter.

(c-2) Provides that, for the purpose of determining state aid under Subsections (a-2) and (b-2), local interest and sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of September 1, 2023, including refunding of that debt, subject to Section 46.061 (State Assistance for Refinancing). Provides that the limitation imposed by Section 46.034(a) (relating to prohibiting the existing debt tax rate from exceeding \$0.29 per \$100 of valuation, or a greater amount for any year provided by appropriation) does not apply for the purpose of determining state aid under this section.

SECTION 3.04. Amends Section 48.2542, Education Code, as follows:

Sec. 48.2542. **ADDITIONAL STATE AID FOR ADJUSTMENT OF LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED.** Entitles a school district, notwithstanding any other provision of this chapter, if the school district is not fully compensated through state aid or the calculation of excess local revenue under this chapter based on the determination of the district's taxable value of property under Subchapter M (Study of School District Property Values), Chapter 403, Government Code, to additional state aid in the amount necessary to fully compensate the district for the amount of ad valorem tax revenue lost due to a reduction of the amount of the limitation on tax increases provided by certain subsections of Section 11.26, Tax Code, including (a-11) and (a-12), as applicable. Makes a nonsubstantive change.

SECTION 3.05. Amends Section 48.2542, Education Code, effective January 1, 2025, as follows:

Sec. 48.2542. **ADDITIONAL STATE AID FOR ADJUSTMENT OF LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED.** Entitles a school district, notwithstanding any other provision of this chapter, if the district is not fully compensated through state aid or the calculation of excess local revenue under this chapter based on the determination of the district's taxable value of property under Subchapter M, Chapter 403, Government Code, to additional state aid in the amount necessary to fully compensate the district for the amount of ad valorem tax revenue lost due to a reduction of the amount of the limitation on tax increases provided by Section 11.26(a-10), Tax Code, rather than by certain subsections as applicable.

SECTION 3.06. Amends Section 48.2543, Education Code, as follows:

Sec. 48.2543. **ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION.** (a) Makes a conforming change to this subsection.

(a-1) Entitles a school district, beginning with the 2023–2024 school year, to additional state aid to the extent that state and local revenue under this chapter and Chapter 49 is less than the state and local revenue that would have been available to the district under this chapter and Chapter 49 as those chapters existed on September 1, 2022, if any increase in a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and any additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 88th Legislature, 2nd Called Session, 2023, had not occurred.

(b) Provides that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for:

(1) creates this subdivision from existing text; and

(2) the 2022 tax year is used for the purpose of determining additional state aid under Subsection (a-1).

SECTION 3.07. Amends Section 48.2556(a), Education Code, to make conforming and nonsubstantive changes.

SECTION 3.08. Amends Section 48.2556(a), Education Code, effective January 1, 2025, as follows:

(a) Requires the Texas Education Agency (TEA), for purposes of allowing the chief appraiser of each appraisal district and the assessor for each school district to make the calculations required by Section 11.26(a-10), Tax Code, to post on TEA's Internet website each school district's maximum compressed rate, as determined under Section 48.2551, for the current tax year and the preceding tax year. Deletes existing text requiring TEA to post certain information on TEA's Internet website, for purposes of allowing the chief appraiser of each appraisal district and the assessor for each school district to make the calculations required by certain sections.

SECTION 3.09. Amends Section 49.004, Education Code, by adding Subsections (a-1), (b-1), and (c-1), as follows:

(a-1) Provides that this subsection applies only if the constitutional amendment proposed by S.J.R. 1, 88th Legislature, 2nd Called Session, 2023, is approved by the voters in an election held for that purpose. Requires the commissioner, as soon as practicable after receiving revised property values that reflect adoption of the constitutional amendment, to review the local revenue level of districts in the state and revise as necessary the notifications provided under Subsection (a) (relating to requiring the commissioner, not later than July 15 of each year, using the estimates of enrollment and taxable property value under Section 48.269 (Estimates Required), to review the local revenue level of school districts in the state and to notify certain school districts) for the 2023–2024 school year. Provides that this subsection expires September 1, 2024.

(b-1) Provides that this subsection applies only to a district that has not previously held an election under this chapter. Authorizes a school district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under certain subsections for the 2023–2024 school year, notwithstanding Subsection (b) (relating to requiring the commissioner to order the detachment of certain property from certain districts), to request and, as provided by Section 49.0042(a), receive approval from the commissioner to delay the date of the election otherwise required to be ordered before September 1. Provides that this subsection expires September 1, 2024.

(c-1) Authorizes a district that receives approval from the commissioner to delay an election as provided by Subsection (b-1), notwithstanding Subsection (c) (relating to prohibiting a school district notified under Subsection (a) from adopting a tax rate for the tax year in which the district receives the notice until the commissioner certifies that the district has reduced the district's local revenue level in excess of entitlement to the level established under Section 48.257 (Local Revenue Level in Excess of Entitlement)), to adopt a tax rate for the 2023 tax year before the commissioner certifies that the district has reduced its local revenue level to the level established by Section 48.257. Provides that this subsection expires September 1, 2024.

SECTION 3.10. Amends Subchapter A, Chapter 49, Education Code, by adding Section 49.0042, as follows:

Sec. 49.0042. TRANSITIONAL PROVISIONS: INCREASED HOMESTEAD EXEMPTIONS AND LIMITATION ON TAX INCREASES. (a) Requires the commissioner to approve a district's request under Section 49.004(b-1) to delay the date of an election required under this chapter if the commissioner determines that the district would not have a local revenue level in excess of entitlement if the constitutional amendment proposed by S.J.R. 1, 88th Legislature, 2nd Called Session, 2023, were approved by the voters.

(b) Requires the commissioner to set a date by which each district that receives approval under this section is required to order the election.

(c) Requires the commissioner, not later than the 2024–2025 school year, to order detachment and annexation of property under Subchapter G (Detachment and Annexation by Commissioner) or consolidation under Subchapter H (Consolidation by Commissioner) as necessary to reduce the district's local revenue level to the level established by Section 48.257 for a district that receives approval under this section and subsequently fails to hold the election or does not receive voter approval at the election.

(d) Provides that this section expires September 1, 2025.

SECTION 3.11. Amends Subchapter A, Chapter 49, Education Code, by adding Section 49.0121, as follows:

Sec. 49.0121. TRANSITIONAL ELECTION DATES. (a) Provides that this section applies only to an election under this chapter that occurs during the 2023–2024 school year.

(b) Provides that Section 49.012 (Date of Elections) does not apply to a district that receives approval of a request under Section 49.0042. Requires the district to hold the election on a Tuesday or Saturday on or before a date specified by the commissioner. Provides that Section 41.001 (Uniform Election Dates), Election Code, does not apply to the election.

(c) Provides that this section expires September 1, 2024.

SECTION 3.12. Amends Section 49.154, Education Code, by adding Subsections (a-2) and (a-3), as follows:

(a-2) Requires a district that receives approval of a request under Section 49.0042, notwithstanding certain subsections, to pay for credit purchased:

(1) in equal monthly payments as determined by the commissioner beginning March 15, 2024, and ending August 15, 2024; or

(2) in the manner provided by Subsection (a)(2) (relating to requiring a school district to pay for credit purchased in one payment for the total amount required to be paid by the district not later than a certain date), provided that the district notifies the commissioner of the district's election to pay in that manner not later than March 15, 2024.

(a-3) Provides that Subsection (a-2) and this subsection expire September 1, 2024.

SECTION 3.13. Amends Section 49.308, Education Code, by adding Subsection (a-1), as follows:

(a-1) Requires the commissioner, notwithstanding Subsection (a) (relating to requiring the commissioner to order any detachments and annexations of property under this subchapter not later than November 8 of each year), for the 2023–2024 school year, to order any detachments and annexations of property under this subchapter as soon as

practicable after the canvass of the votes on the constitutional amendment proposed by S.J.R. 1, 88th Legislature, 2nd Called Session, 2023. Provides that this subsection expires September 1, 2024.

SECTION 3.14. Amends Section 403.302, Government Code, by amending Subsection (j-1) and adding Subsection (j-2), as follows:

(j-1) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), in the final certification of the study under Subsection (j) (relating to requiring the comptroller to certify the final taxable value for each school district, appropriately adjusted to give effect to certain provisions of the Education Code related to school funding, to the commissioner as provided by the terms of a memorandum of understanding entered into between the comptroller, the Legislative Budget Board, and the commissioner), to separately identify the final taxable value for each school district as adjusted to account for the reduction of the amount of the limitation on tax increases provided by Section 11.26(a-10), Tax Code, rather than by certain statutes as applicable.

(j-2) Requires the comptroller, in the final certification of the study under Subsection (j), to separately identify the final taxable value for each school district as adjusted to account for the reduction of the amount of the limitation on tax increases provided by certain sections of the Tax Code. Provides that this subsection expires January 1, 2025.

SECTION 3.15. Amends Section 25.23, Tax Code, by adding Subsection (a-1), as follows:

(a-1) Provides that this subsection applies only to the appraisal records for the 2023 tax year. Requires the chief appraiser to prepare supplemental appraisal records to account for the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023. Provides that this subsection expires December 31, 2024.

SECTION 3.16. Amends Section 26.04, Tax Code, by adding Subsections (a-1) and (c-1), as follows:

(a-1) Requires the assessor for a school district, on receipt of the appraisal roll for the 2023 tax year, to determine the total taxable value of property taxable by the school district and the taxable value of new property as if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, were in effect for that tax year. Provides that this subsection expires December 31, 2024.

(c-1) Requires an officer or employee designated by the governing body of a school district to calculate the no-new-revenue tax rate and the voter-approval tax rate of the district for the 2023 tax year as if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, were in effect for that tax year. Provides that this subsection expires December 31, 2024.

SECTION 3.17. Amends Section 26.08, Tax Code, by adding Subsection (q), as follows:

(q) Requires that the voter-approval tax rate of a school district for the 2023 tax year, for purposes of Section 26.08 (Automatic Election to Approve Tax Rate of School District), be calculated as if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, were in effect for that tax year. Provides that this subsection expires December 31, 2024.

SECTION 3.18. Amends Section 26.09, Tax Code, by adding Subsection (c-1), as follows:

(c-1) Requires the assessor for a school district to calculate the amount of tax imposed by the district on a residence homestead for the 2023 tax year as if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, were in effect for that tax year and also as if the changes in law made by that Act were not in effect for that tax year. Provides that this subsection expires December 31, 2024.

SECTION 3.19. Amends Section 26.15, Tax Code, by adding Subsection (h), as follows:

(h) Requires the assessor for a school district to correct the tax roll for the district for the 2023 tax year to reflect the results of the election to approve the constitutional amendment proposed by S.J.R. 1, 88th Legislature, 2nd Called Session, 2023. Provides that this subsection expires December 31, 2024.

SECTION 3.20. Amends Section 31.01, Tax Code, by adding Subsections (d-2), (d-3), (d-4), and (d-5), as follows:

(d-2) Provides that this subsection and Subsections (d-3) and (d-4) apply only to taxes imposed by a school district on a residence homestead for the 2023 tax year and only if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, would lower the taxes imposed by the district on the property for that tax year. Requires the assessor for the district to compute the amount of taxes imposed and the other information required by Section 31.01 (Tax Bills) as if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, were in effect for that tax year. Requires that the tax bill or the separate statement indicate that the bill is a provisional tax bill and include a statement with certain information. Sets forth the language required to be included in the statement.

(d-3) Provides that a tax bill prepared by the assessor for a school district as provided by Subsection (d-2) and mailed as provided by Subsection (a) (relating to requiring the assessor for each taxing unit to prepare and mail a tax bill to each person in whose name the property is listed on the tax roll and to the person's authorized agent) is considered to be a provisional tax bill until the canvass of the votes on the constitutional amendment proposed by S.J.R. 1, 88th Legislature, 2nd Called Session, 2023. Provides that the tax bill, if the constitutional amendment is approved by the voters, is considered to be a final tax bill for the taxes imposed on the property for the 2023 tax year, and no additional tax bill is required to be mailed unless another provision of Title 1 (Property Tax Code) requires the mailing of a corrected tax bill. Provides that, if the constitutional amendment is not approved by the voters:

(1) a tax bill prepared by the assessor as provided by Subsection (d-2) is considered to be a final tax bill but only as to the portion of the taxes imposed on the property for the 2023 tax year that are included in the bill;

(2) the amount of taxes imposed by each school district on a residence homestead for the 2023 tax year is calculated as if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, were not in effect for that tax year; and

(3) except as provided by certain subsections, the assessor for each school district is required to prepare and mail a supplemental tax bill, by December 1 or as soon thereafter as practicable, in an amount equal to the difference between the amount of the tax bill if the changes in law made by S.B. 1, Acts of the 88th Legislature, 2nd Called Session, 2023, were not in effect for that tax year and the amount of the tax bill if that Act were in effect for that tax year.

(d-4) Provides that the provisions of this section other than Subsection (d-2), except as otherwise provided by Subsection (d-3), apply to a supplemental tax bill mailed under Subsection (d-3).

(d-5) Provides that this subsection and Subsections (d-2), (d-3), and (d-4) expire December 31, 2024.

SECTION 3.21. Amends Section 31.02, Tax Code, by adding Subsection (a-1), as follows:

(a-1) Provides that taxes for which a supplemental tax bill is mailed under Section 31.01(d-3), except as provided by Subsection (b) (relating to authorizing an eligible

person serving on active duty in any branch of the United States armed forces to pay delinquent property taxes on property in which the person owns any interest without penalty or interest no later than the 60th day after the date on which the earliest of certain actions occur) of Section 31.02 (Delinquency Date) and Sections 31.03 (Split Payment of Taxes) and 31.04 (Postponement of Delinquency Date), are due on receipt of the tax bill and are delinquent if not paid before March 1 of the year following the year in which imposed. Provides that this subsection expires December 31, 2024.

SECTION 3.22. (a) Repealers: Sections 11.26(a-1) (relating to determining the amount of limitation on ad valorem tax increases for certain qualifying individuals in the 2007 tax year whose first tax year to qualify for a limitation was the 2006 tax year) and (a-2) (relating to determining the amount of limitation on ad valorem tax increases for certain qualifying individuals in the 2007 tax year whose first tax year to qualify for a limitation was before the 2006 tax year), Tax Code.

Repealer: Section 11.26(a-3) (relating to the continued applicability and expiration of limitations to increases of school district ad valorem taxes in subsequent tax years), Tax Code.

(b) Repealers, effective January 1, 2025: Sections 11.26(a-5) (relating to determining the amount of limitation on ad valorem tax increases for certain qualifying individuals in the 2023 tax year whose first tax year to qualify for a limitation was the before the 2019 tax year) and (a-6) (relating to determining the amount of limitation on ad valorem tax increases for certain qualifying individuals in the 2023 tax year whose first tax year to qualify for a limitation was the 2019 tax year), Tax Code.

Repealers, effective January 1, 2025: Sections 11.26(a-7) (relating to determining the amount of limitation on ad valorem tax increases for certain qualifying individuals in the 2023 tax year whose first tax year to qualify for a limitation was the 2020 tax year) and (a-8) (relating to determining the amount of limitation on ad valorem tax increases for certain qualifying individuals in the 2023 tax year whose first tax year to qualify for a limitation was the 2021 tax year), Tax Code.

Repealer, effective January 1, 2025: Section 11.26(a-9) (relating to determining the amount of limitation on ad valorem tax increases for certain qualifying individuals in the 2023 tax year whose first tax year to qualify for a limitation was the 2022 tax year), Tax Code.

SECTION 3.23. Provides that the changes in law made by this article to Sections 11.13 (Residence Homestead) and 11.26, Tax Code, apply beginning with the ad valorem tax year that begins January 1, 2023.

ARTICLE 4. DETERMINATION AND REPORTING OF FRANCHISE TAX LIABILITY

SECTION 4.01. Amends Section 171.002(d), Tax Code, as follows:

(d) Provides that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if:

(1) makes no changes to this subdivision; or

(2) the amount of the taxable entity's total revenue from its entire business is less than or equal to \$2.47 million, rather than \$1 million, or the amount determined under Section 171.006 (Adjustment of Eligibility for No Tax Due, Discounts, and Compensation Deduction) per 12-month period on which margin is based.

SECTION 4.02. Amends Section 171.204(b), Tax Code, as follows:

(b) Prohibits the comptroller from requiring a taxable entity that does not owe any tax because of the application of Section 171.002(d)(2) to file an information report with the

comptroller. Deletes existing text authorizing the comptroller to require a taxable entity that does not owe any tax because of the application of Section 171.002(d)(2) to file an abbreviated information report with the comptroller stating the amount of the taxable entity's total revenue from its entire business. Deletes existing text prohibiting the comptroller from requiring a taxable entity described by this subsection to file an information report that requires the taxable entity to report or compute its margin.

SECTION 4.03. Repealer: Section 171.204(d) (relating to authorizing the comptroller to require a taxable entity on which a certain tax is not imposed to file an information report stating the taxable entity's beginning date and any other information the comptroller determines necessary), Tax Code.

SECTION 4.04. Provides that the changes in law made by this article apply only to a report originally due on or after January 1, 2024.

ARTICLE 5. EFFECTIVE DATES

SECTION 5.01. Provides that this Act, except as otherwise provided by this article, takes effect on the 92nd day after the last day of the legislative session.

SECTION 5.02. (a) Effective date, Article 3 of this Act, except as provided by Subsection (b) of this section or as otherwise provided by Article 3 of this Act, contingent upon voter approval: the date on which the constitutional amendment proposed by S.J.R. 1, 88th Legislature, 2nd Called Session, 2023, takes effect.

(b) Effective date, Sections 49.004(a-1), (b-1), and (c-1), 49.0042, 49.0121, 49.154(a-2) and (a-3), and 49.308(a-1), Education Code, and Sections 25.23(a-1), 26.04(a-1) and (c-1), 26.08(q), 26.09(c-1), 26.15(h), 31.01(d-2), (d-3), (d-4), and (d-5), and 31.02(a-1), Tax Code, as added by Article 3 of this Act: upon passage or the 91st day after the last day of the legislative session.

SECTION 5.03. Effective date, Article 4 of this Act: January 1, 2024.