

RESOLUTION ANALYSIS

C.S.S.J.R. 3
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Ways & Means
Committee Report (Substituted)

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 and allows for a 10 percent annual increase in the appraised value of those homesteads. Additionally, many Texans are concerned with the amount of school district recapture payments and the state's share of public education funding.

C.S.S.J.R. 3 seeks to address these issues and provide property tax relief by proposing a constitutional amendment to allow the legislature to lower the limitation on appraised value for residence homesteads and extend its applicability to all real property, increase the amount of the general school district residence homestead property tax exemption to \$100,000, and establish that certain appropriations made for the purpose of paying for property tax relief do not count toward the constitutional spending limit.

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

C.S.S.J.R. 3 proposes an amendment to the Texas Constitution to allow the legislature to expand the applicability of the limitation on appraised value from residence homesteads to all real property and, with respect to this limitation, decrease the allowable year-over-year increase in a property's appraised value from 10 percent to five percent. This revised limitation takes effect in the tax year following the first tax year in which the owner owns the property on January 1 and expires on January 1 of the tax year following the tax year in which the same owner ceases to own the property, except that the legislature by general law may provide for the limitation applicable to a residence homestead to continue during ownership of the property by the owner's spouse or surviving spouse. The resolution authorizes the legislature by general law to define real property for purposes of the limitation, which may include a manufactured or mobile home used as a dwelling.

C.S.S.J.R. 3 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 an elderly or disabled individual:

- 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.

C.S.S.J.R. 3 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.

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.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.J.R. 3 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the resolution.

Whereas the engrossed increased the amount of the general school district residence homestead property tax exemption from \$40,000 to \$70,000, the substitute increases the amount of that exemption to \$100,000. The substitute omits the provision from the engrossed increasing the amount of the school district homestead exemption for elderly or disabled individuals from \$10,000 to \$30,000.

The engrossed replaced the provision in the constitution authorizing the legislature to exempt from property taxation tangible personal property that is held or used for the production of income and has a taxable value of less than the minimum amount sufficient to recover the costs of the administration of the taxes on the property, as determined by or under the general law granting the exemption, with a provision authorizing the legislature by general law to exempt from property taxation \$25,000 of the market value of tangible personal property that is held and used for the production of income. The substitute does not do this.

The substitute includes provisions not in the engrossed relating to the limitation on appraised value for property tax purposes.

The substitute expands the scope of the provision in the engrossed excluding 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 school district property tax relief as identified by the legislature by general law by making this provision applicable instead to any payment for property tax relief, irrespective of whether that payment is specifically for relief from school district property taxes.

The substitute revises the ballot language for the proposed constitutional amendment as set out in the engrossed to reflect the changes made to the resolution by the substitute.