88R2202 CJC-D

By:  Schofield H.B. No. 402

A BILL TO BE ENTITLED

AN ACT

relating to the establishment of a limitation on the total amount of ad valorem taxes that certain taxing units may impose on the residence homesteads of individuals who are disabled or elderly and their surviving spouses.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  The heading to Section 11.261, Tax Code, is amended to read as follows:

Sec. 11.261.  LIMITATION OF TAX IMPOSED BY TAXING UNIT OTHER THAN SCHOOL DISTRICT [~~COUNTY, MUNICIPAL, OR JUNIOR COLLEGE DISTRICT TAX~~] ON HOMESTEADS OF INDIVIDUALS WHO ARE DISABLED OR [~~AND~~] ELDERLY.

SECTION 2.  Section 11.261, Tax Code, is amended by amending Subsections (a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding Subsections (b-1) and (b-2) to read as follows:

(a)  This section applies only to a taxing unit other than a school district [~~county, municipality, or junior college district that has established a limitation on the total amount of taxes that may be imposed by the county, municipality, or junior college district on the residence homestead of a disabled individual or an individual 65 years of age or older under Section 1-b(h), Article VIII, Texas Constitution~~].

(b)  The tax officials shall appraise the property to which this section [~~the limitation~~] applies and calculate taxes as on other property, but if the tax so calculated exceeds the limitation required [~~provided~~] by this section, the tax imposed by a taxing unit is the amount of the tax as limited by this section, except as otherwise provided by this section. A taxing unit [~~The county, municipality, or junior college district~~] may not increase the total annual amount of ad valorem taxes the taxing unit [~~county, municipality, or junior college district~~] imposes on the residence homestead of an individual who is [~~a~~] disabled [~~individual~~] or is [~~an individual~~] 65 years of age or older above the amount of the taxes the taxing unit [~~county, municipality, or junior college district~~] imposed on the residence homestead in the first tax year[~~, other than a tax year preceding the tax year in which the county, municipality, or junior college district established the limitation described by Subsection (a),~~] in which the individual qualified that residence homestead for the exemption provided by Section 11.13(c) for an individual who is [~~a~~] disabled [~~individual~~] or is [~~an individual~~] 65 years of age or older. If the individual qualified that residence homestead for the exemption after the beginning of that first year and the residence homestead remains eligible for the exemption for the next year, and if the [~~county, municipal, or junior college district~~] taxes imposed by the taxing unit on the residence homestead in the next year are less than the amount of taxes imposed in that first year, the taxing unit [~~a county, municipality, or junior college district~~] may not subsequently increase the total annual amount of ad valorem taxes it imposes on the residence homestead above the amount it imposed on the residence homestead in the year immediately following the first year[~~, other than a tax year preceding the tax year in which the county, municipality, or junior college district established the limitation described by Subsection (a),~~] for which the individual qualified that residence homestead for the exemption.

(b-1)  If the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals who are disabled or are 65 years of age or older was a tax year before the 2024 tax year and the homestead qualified for a limitation on county, municipal, or junior college district taxes under this section for that tax year, the amount of the limitation on county, municipal, or junior college district taxes, as applicable, required by this section is the amount of the tax imposed by the applicable taxing unit for the 2023 tax year, plus any 2024 tax attributable to improvements made in 2023, other than improvements made to comply with governmental regulations or repairs.

(b-2)  Except as provided by Subsection (b-1), for the purpose of calculating a limitation on tax increases by a taxing unit under this section, an individual who qualified a residence homestead before January 1, 2024, for an exemption under Section 11.13(c) for individuals who are disabled or are 65 years of age or older is considered to have qualified the homestead for that exemption on January 1, 2024.

(c)  If an individual makes improvements to the individual's residence homestead, other than repairs and other than improvements required to comply with governmental requirements, the taxing unit [~~county, municipality, or junior college district~~] may increase the amount of taxes on the homestead in the first year the value of the homestead is increased on the appraisal roll because of the enhancement of value by the improvements. The amount of the tax increase is determined by applying the current tax rate to the difference between the appraised value of the homestead with the improvements and the appraised value the homestead [~~it~~] would have had without the improvements. The [~~A~~] limitation required [~~provided~~] by this section then applies to the increased amount of [~~county, municipal, or junior college district~~] taxes on the residence homestead until more improvements, if any, are made.

(d)  A limitation on [~~county, municipal, or junior college district~~] tax increases by a taxing unit required [~~provided~~] by this section expires if on January 1:

(1)  none of the owners of the structure who qualify for the exemption provided by Section 11.13(c) for an individual who is [~~a~~] disabled [~~individual~~] or is [~~an individual~~] 65 years of age or older and who owned the structure when the limitation [~~provided by this section~~] first took effect is using the structure as a residence homestead; or

(2)  none of the owners of the structure qualifies for the exemption provided by Section 11.13(c) for an individual who is [~~a~~] disabled [~~individual~~] or is [~~an individual~~] 65 years of age or older.

(e)  If the appraisal roll provides for taxation of appraised value for a prior year because a residence homestead exemption for an individual who is disabled [~~individuals~~] or is [~~individuals~~] 65 years of age or older was erroneously allowed, the tax assessor for the applicable taxing unit [~~county, municipality, or junior college district~~] shall add, as back taxes due as provided by Section 26.09(d), the positive difference, if any, between the tax that should have been imposed for that year and the tax that was imposed because of the provisions of this section.

(f)  A limitation on tax increases by a taxing unit required [~~provided~~] by this section does not expire because the owner of an interest in the structure conveys the interest to a qualifying trust as defined by Section 11.13(j) if the owner or the owner's spouse is a trustor of the trust and is entitled to occupy the structure.

(g)  Except as provided by Subsection (c), if an individual who receives a limitation on [~~county, municipal, or junior college district~~] tax increases by a taxing unit required [~~provided~~] by this section subsequently qualifies a different residence homestead in the same taxing unit [~~county, municipality, or junior college district~~] for an exemption under Section 11.13, the taxing unit [~~county, municipality, or junior college district~~] may not impose ad valorem taxes on the subsequently qualified homestead in a year in an amount that exceeds the amount of taxes the taxing unit [~~county, municipality, or junior college district~~] would have imposed on the subsequently qualified homestead in the first year in which the individual receives that exemption for the subsequently qualified homestead had the limitation on tax increases required [~~provided~~] by this section not been in effect, multiplied by a fraction the numerator of which is the total amount of taxes the taxing unit [~~county, municipality, or junior college district~~] imposed on the former homestead in the last year in which the individual received that exemption for the former homestead and the denominator of which is the total amount of taxes the taxing unit [~~county, municipality, or junior college district~~] would have imposed on the former homestead in the last year in which the individual received that exemption for the former homestead had the limitation on tax increases required [~~provided~~] by this section not been in effect.

(h)  An individual who receives a limitation on [~~county, municipal, or junior college district~~] tax increases by a taxing unit under this section and who subsequently qualifies a different residence homestead in the same taxing unit [~~county, municipality, or junior college district~~] for an exemption under Section 11.13, or an agent of the individual, is entitled to receive from the chief appraiser of the appraisal district in which the former homestead was located a written certificate providing the information necessary to determine whether the individual may qualify for a limitation on the subsequently qualified homestead under Subsection (g) and to calculate the amount of taxes the taxing unit [~~county, municipality, or junior college district~~] may impose on the subsequently qualified homestead.

(i)  If an individual who qualifies for a limitation on [~~county, municipal, or junior college district~~] tax increases by a taxing unit under this section dies, the surviving spouse of the individual is entitled to the limitation on taxes imposed by the taxing unit [~~county, municipality, or junior college district~~] on the residence homestead of the individual if:

(1)  the surviving spouse is disabled or is 55 years of age or older when the individual dies; and

(2)  the residence homestead of the individual:

(A)  is the residence homestead of the surviving spouse on the date that the individual dies; and

(B)  remains the residence homestead of the surviving spouse.

(j)  If an individual who is 65 years of age or older and qualifies for a limitation on [~~county, municipal, or junior college district~~] tax increases for the elderly under this section dies in the first year in which the individual qualified for the limitation and the individual first qualified for the limitation after the beginning of that year, except as provided by Subsection (k), the amount to which the surviving spouse's [~~county, municipal, or junior college district~~] taxes are limited under Subsection (i) is the amount of taxes imposed by the taxing unit to which the limitation applies [~~county, municipality, or junior college district, as applicable,~~] on the residence homestead in that year determined as if the individual qualifying for the exemption had lived for the entire year.

(k)  If in the first tax year after the year in which an individual who is 65 years of age or older dies under the circumstances described by Subsection (j) the amount of taxes imposed by a taxing unit [~~county, municipality, or junior college district~~] on the residence homestead of the surviving spouse is less than the amount of taxes imposed by the taxing unit [~~county, municipality, or junior college district~~] in the preceding year as limited by Subsection (j), in a subsequent tax year the surviving spouse's taxes imposed by the taxing unit [~~county, municipality, or junior college district~~] on that residence homestead are limited to the amount of taxes imposed by the taxing unit [~~county, municipality, or junior college district~~] in that first tax year after the year in which the individual dies.

(l)  Notwithstanding Subsection (d), a limitation on [~~county, municipal, or junior college district~~] tax increases by a taxing unit required [~~provided~~] by this section does not expire if the owner of the structure qualifies for an exemption under Section 11.13 under the circumstances described by Section 11.135(a).

SECTION 3.  Section 23.19(g), Tax Code, is amended to read as follows:

(g)  A tax bill or a separate statement accompanying the tax bill to a cooperative housing corporation for which interests of stockholders are separately appraised under this section must state, in addition to the information required by Section 31.01, the appraised value and taxable value of each interest separately appraised. Each exemption claimed as provided by this title by a person entitled to the exemption shall also be deducted from the total appraised value of the property of the corporation. The total tax imposed by a school district or other taxing unit [~~, county, municipality, or junior college district~~] shall be reduced by any amount that represents an increase in taxes attributable to separately appraised interests of the real property and improvements that are subject to the limitation of taxes prescribed by Section 11.26 or 11.261. The corporation shall apportion among its stockholders liability for reimbursing the corporation for property taxes according to the relative taxable values of their interests.

SECTION 4.  Sections 26.012(6), (13), and (14), Tax Code, are amended to read as follows:

(6)  "Current total value" means the total taxable value of property listed on the appraisal roll for the current year, including all appraisal roll supplements and corrections as of the date of the calculation, less the taxable value of property exempted for the current tax year for the first time under Section 11.31 or 11.315, except that:

(A)  the current total value for a school district excludes:

(i)  the total value of homesteads that qualify for a tax limitation as provided by Section 11.26; and

(ii)  new property value of property that is subject to an agreement entered into under Chapter 313; and

(B)  the current total value for a taxing unit other than a school district [~~county, municipality, or junior college district~~] excludes the total value of homesteads that qualify for a tax limitation as provided by Section 11.261.

(13)  "Last year's levy" means the total of:

(A)  the amount of taxes that would be generated by multiplying the total tax rate adopted by the governing body in the preceding year by the total taxable value of property on the appraisal roll for the preceding year, including:

(i)  taxable value that was reduced in an appeal under Chapter 42;

(ii)  all appraisal roll supplements and corrections other than corrections made pursuant to Section 25.25(d), as of the date of the calculation, except that last year's taxable value for a school district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.26 and last year's taxable value for a taxing unit other than a school district [~~county, municipality, or junior college district~~] excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.261; and

(iii)  the portion of taxable value of property that is the subject of an appeal under Chapter 42 on July 25 that is not in dispute; and

(B)  the amount of taxes refunded by the taxing unit in the preceding year for tax years before that year.

(14)  "Last year's total value" means the total taxable value of property listed on the appraisal roll for the preceding year, including all appraisal roll supplements and corrections, other than corrections made pursuant to Section 25.25(d), as of the date of the calculation, except that:

(A)  last year's taxable value for a school district excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.26; and

(B)  last year's taxable value for a taxing unit other than a school district [~~county, municipality, or junior college district~~] excludes the total value of homesteads that qualified for a tax limitation as provided by Section 11.261.

SECTION 5.  This Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

SECTION 6.  This Act takes effect January 1, 2024, but only if the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, establishing a limitation on the total amount of ad valorem taxes that certain political subdivisions may impose on the residence homesteads of persons who are disabled or elderly and their surviving spouses is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.