88R4177 CJC/MEW-D

By:  Raymond H.B. No. 610

A BILL TO BE ENTITLED

AN ACT

relating to a temporary increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district, a temporary reduction in the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect the increased exemption amount, and a temporary protection of school districts against the resulting temporary loss in local revenue.

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

SECTION 1.  Section 11.13(b), Tax Code, is amended to read as follows:

(b)  An adult is entitled to exemption from taxation by a school district of $360,000 [~~$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 former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code.

SECTION 2.  Effective January 1, 2025, Section 11.13(b), Tax Code, is amended to read as follows:

(b)  An adult is entitled to exemption from taxation by a school district of $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 former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code.

SECTION 3.  Section 11.26(a), Tax Code, is amended to read as follows:

(a)  The tax officials shall appraise the property to which this section applies and calculate taxes as on other property, but if the tax so calculated exceeds the limitation imposed by this section, the tax imposed is the amount of the tax as limited by this section, except as otherwise provided by this section.  A school district may not increase the total annual amount of ad valorem tax it imposes on the residence homestead of an individual 65 years of age or older or on the residence homestead of an individual who is disabled, as defined by Section 11.13, above the amount of the tax it imposed in the first tax year in which the individual qualified that residence homestead for the applicable exemption provided by Section 11.13(c) for an individual who is 65 years of age or older or is disabled.  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 same exemption for the next year, and if the school district taxes imposed on the residence homestead in the next year are less than the amount of taxes imposed in that first year, a school district may not subsequently increase the total annual amount of ad valorem taxes it imposes on the residence homestead above the amount it imposed in the year immediately following the first year for which the individual qualified that residence homestead for the same exemption, except as provided by Subsection (b).  If the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals 65 years of age or older or disabled was a tax year before the 2024 [~~2015~~] tax year, the amount of the limitation provided by this section for the 2024 tax year is the amount of the limitation as computed under Subsection (a-10) of this section [~~tax the school district imposed for the 2014 tax year~~] less an amount equal to the product of $320,000 and [~~amount determined by multiplying $10,000 times~~] the tax rate of the school district for the 2024 [~~2015~~] tax year[~~, plus any 2015 tax attributable to improvements made in 2014, other than improvements made to comply with governmental regulations or repairs~~]. If the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals 65 years of age or older or disabled was the 2024 tax year or an earlier tax year, the amount of the limitation provided by this section for the 2025 tax year is the amount of the limitation as computed under Subsection (a-10) of this section plus an amount equal to the product of $320,000 and the tax rate of the school district for the 2024 tax year.

SECTION 4.  Section 46.071, Education Code, is amended by adding Subsections (a-2), (b-2), and (c-2) to read as follows:

(a-2)  Notwithstanding Subsection (a-1), for the 2024-2025 school year, a school district is entitled to additional state aid under this subchapter to the extent that state and local revenue used to service debt eligible under this chapter 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, 2023, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 88th Legislature, Regular Session, 2023, had not occurred. This subsection expires September 1, 2025.

(b-2)  Notwithstanding Subsection (b-1), subject to Subsections (c-2), (d), and (e), additional state aid under this section for the 2024-2025 school year is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 88th Legislature, Regular Session, 2023, is not offset by a gain in state aid under this chapter. This subsection expires September 1, 2025.

(c-2)  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.  The limitation imposed by Section 46.034(a) does not apply for the purpose of determining state aid under this section. This subsection expires September 1, 2025.

SECTION 5.  Section 48.2543, Education Code, is amended by adding Subsections (a-1) and (b-1) to read as follows:

(a-1)  Notwithstanding Subsection (a), for the 2024-2025 school year, a school district is entitled 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, 2023, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by the 88th Legislature, Regular Session, 2023, had not occurred. This subsection expires September 1, 2025.

(b-1)  Notwithstanding Subsection (b), for the 2024-2025 school year, the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2023 tax year is used for the purpose of determining additional state aid under Subsection (a-1). This subsection expires September 1, 2025.

SECTION 6.  The changes in law made by this Act to Sections 11.13 and 11.26, Tax Code, apply only to an ad valorem tax year that begins on or after January 1, 2024.

SECTION 7.  This Act takes effect January 1, 2024, but only if the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, to appropriate money from the general revenue fund to the foundation school fund and use the money to finance a temporary increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district and a temporary reduction in the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect the increased exemption amount is approved by the voters. If that constitutional amendment is not approved by the voters, this Act has no effect.