88R2118 CJC-F

By:  Howard H.B. No. 5042

A BILL TO BE ENTITLED

AN ACT

relating to an adjustment of the limitation on the total amount of ad valorem taxes that may be imposed by a school district on the residence homestead of an individual who is elderly or disabled to reflect the most recent increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district and the protection of school districts against the resulting loss in local revenue.

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

SECTION 1.  Section 11.26, Tax Code, is amended by adding Subsection (a-11) to read as follows:

(a-11)  This subsection applies only to an individual who in the 2024 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). The amount of the limitation provided by this section on the residence homestead of an individual to which this subsection applies for the 2024 tax year is the amount of the limitation as computed under Subsection (a-10) 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. This subsection expires January 1, 2025.

SECTION 2.  Section 46.071, Education Code, is amended by adding Subsection (a-2) and amending Subsections (b-1) and (c-1) to read as follows:

(a-2)  Beginning with the 2024-2025 school year, in addition to state aid a school district is entitled to under Subsection (a-1), 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 any additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by the 88th Legislature, Regular Session, 2023, had not occurred.

(b-1)  Subject to Subsections (c-1), (d), and (e), additional state aid under this section beginning with the 2022-2023 school year is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 87th Legislature, 3rd Called Session, 2021, and any additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by the 88th Legislature, Regular Session, 2023, is not offset by a gain in state aid under this chapter.

(c-1)  For the purpose of determining state aid under Subsection [~~Subsections~~] (a-1) or (a-2) [~~and (b-1)~~], local interest and sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of September 1, 2021, or as of September 1, 2023, respectively, including refunding of the applicable [~~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 Subsection (a-1) or (a-2) [~~this section~~].

SECTION 3.  Section 48.2542, Education Code, is amended to read as follows:

Sec. 48.2542.  ADDITIONAL STATE AID FOR ADJUSTMENT OF LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED. Notwithstanding any other provision of this chapter, if a 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, Chapter 403, Government Code, the district is entitled 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 Sections 11.26(a-4), (a-5), (a-6), (a-7), (a-8), (a-9), [~~and~~] (a-10), and (a-11), Tax Code, as applicable.

SECTION 4.  Effective January 1, 2025, Section 48.2542, Education Code, is amended to read as follows:

Sec. 48.2542.  ADDITIONAL STATE AID FOR ADJUSTMENT OF LIMITATION ON TAX INCREASES ON HOMESTEAD OF ELDERLY OR DISABLED. Notwithstanding any other provision of this chapter, if a 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, Chapter 403, Government Code, the district is entitled 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 Sections 11.26(a-4), (a-5), (a-6), (a-7), (a-8), (a-9), and (a-10), Tax Code, as applicable.

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

(a-1)  Beginning with the 2024-2025 school year, in addition to state aid a school district is entitled to under Subsection (a), 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 any additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by the 88th Legislature, Regular Session, 2023, had not occurred.

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

(1)  the 2021 tax year is used for the purpose of determining additional state aid under Subsection (a); and

(2)  the 2023 tax year is used for the purpose of determining additional state aid under Subsection (a-1).

SECTION 6.  Section 48.2556(a), Education Code, is amended to read as follows:

(a)  The agency shall post the following information on the agency'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 Sections 11.26(a-5), (a-6), (a-7), (a-8), (a-9), [~~and~~] (a-10), and (a-11), Tax Code:

(1)  each school district's maximum compressed rate, as determined under Section 48.2551, for each tax year beginning with the 2019 tax year; and

(2)  each school district's tier one maintenance and operations tax rate, as provided by Section 45.0032(a), for the 2018 tax year.

SECTION 7.  Effective January 1, 2025, Section 48.2556(a), Education Code, is amended to read as follows:

(a)  The agency shall post the following information on the agency'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 Sections 11.26(a-5), (a-6), (a-7), (a-8), (a-9), and (a-10), Tax Code:

(1)  each school district's maximum compressed rate, as determined under Section 48.2551, for each tax year beginning with the 2019 tax year; and

(2)  each school district's tier one maintenance and operations tax rate, as provided by Section 45.0032(a), for the 2018 tax year.

SECTION 8.  Section 403.302, Government Code, is amended by adding Subsection (j-2) to read as follows:

(j-2)  In the final certification of the study under Subsection (j), the comptroller shall 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-11), Tax Code. This subsection expires January 1, 2025.

SECTION 9.  The change in law made by this Act to Section 11.26, Tax Code, applies only to an ad valorem tax year that begins on or after January 1, 2024.

SECTION 10.  Except as otherwise provided by this Act, this Act takes effect January 1, 2024, but only if the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, providing for an adjustment of the limitation on the total amount of ad valorem taxes that may be imposed by a school district on the residence homestead of a person who is elderly or disabled to reflect the most recent increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.