88R7156 CJC/MEW-D

By:  Toth H.B. No. 5046

A BILL TO BE ENTITLED

AN ACT

relating to an increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district, an adjustment in the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in the exemption amount, 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 11.13(b), Tax Code, is amended to read as follows:

(b)  An adult is entitled to exemption from taxation by a school district of $70,000 [~~$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.  Section 11.26, Tax Code, is amended by amending Subsections (a), (a-10), and (o) and adding Subsection (a-11) 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 2015 tax year, the amount of the limitation provided by this section 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)  For purposes of this section, "maximum compressed rate" means the maximum compressed rate of a school district as calculated under Section 48.2551, Education Code. 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, the amount of the limitation provided by this section on the homestead is equal to the amount computed by:

(1)  multiplying the taxable value of the homestead in the preceding tax year by a tax rate equal to the difference between the school district's maximum compressed rate for the preceding tax year and the district's maximum compressed rate for the current tax year;

(2)  subtracting the amount computed under Subdivision (1) from the amount of tax the district imposed on the homestead in the preceding tax year; [~~and~~]

(3)  adding any tax imposed in the current tax year attributable to improvements made in the preceding tax year as provided by Subsection (b) to the amount computed under Subdivision (2);

(4)  multiplying the amount of any increase in the current tax year as compared to the preceding tax year in the amount of the exemption to which the individual is entitled under Section 11.13(b) 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).

(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.

(o)  Notwithstanding Subsections (a)[~~, (a-3),~~] and (b), an improvement to property that would otherwise constitute an improvement under Subsection (b) is not treated as an improvement under that subsection if the improvement is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage. For purposes of appraising the property in the tax year in which the structure would have constituted an improvement under Subsection (b), the replacement structure is considered to be an improvement under that subsection only if:

(1)  the square footage of the replacement structure exceeds that of the replaced structure as that structure existed before the casualty or damage occurred; or

(2)  the exterior of the replacement structure is of higher quality construction and composition than that of the replaced structure.

SECTION 3.  Section 46.071, Education Code, is amended by amending Subsections (a-1) and (b-1) and adding Subsections (a-2), (b-2), and (c-2) to read as follows:

(a-1)  For [~~Beginning with~~] the 2022-2023 and 2023-2024 school years [~~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, 2021, if 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, had not occurred.

(a-2)  Beginning with 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 any increase in the 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, Regular Session, 2023, had not occurred.

(b-1)  Subject to Subsections (c-1), (d), and (e), additional state aid under this section for [~~beginning with~~] the 2022-2023 and 2023-2024 school years [~~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, is not offset by a gain in state aid under this chapter.

(b-2)  Subject to Subsections (c-2), (d), and (e), additional state aid under this section beginning with 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 any increase in the 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, Regular Session, 2023, is not offset by a gain in state aid under this chapter.

(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, 2024, 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.

SECTION 4.  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-10) and (a-11) [~~11.26(a-4), (a-5), (a-6), (a-7), (a-8), (a-9), and (a-10)~~], Tax Code, as applicable.

SECTION 5.  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 Section 11.26(a-10) [~~Sections 11.26(a-4), (a-5), (a-6), (a-7), (a-8), (a-9), and (a-10)~~], Tax Code[~~, as applicable~~].

SECTION 6.  Section 48.2543, Education Code, is amended to read as follows:

Sec. 48.2543.  ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION.  (a)  For [~~Beginning with~~] the 2022-2023 and 2023-2024 school years [~~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, 2021, if 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, had not occurred.

(a-1)  Beginning with 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 any increase in the 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, 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 7.  Section 48.2556(a), Education Code, is amended to read as follows:

(a)  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-10) and (a-11), Tax Code, the [~~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 2022 [~~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.  Effective January 1, 2025, Section 48.2556(a), Education Code, is amended to read as follows:

(a)  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, the [~~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 the current [~~each~~] tax year and the preceding [~~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 9.  Section 403.302, Government Code, is amended by amending Subsection (j-1) and adding Subsection (j-2) to read as follows:

(j-1)  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-10) [~~Sections 11.26(a-4), (a-5), (a-6), (a-7), (a-8), (a-9), and (a-10)~~], Tax Code[~~, as applicable~~].

(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 10.  Sections 11.26(a-1), (a-2), (a-3), (a-4), (a-5), (a-6), (a-7), (a-8), and (a-9), Tax Code, are repealed.

SECTION 11.  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 12.  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, to increase the amount of the exemption of residence homesteads from ad valorem taxation by a school district and to adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in the exemption amount is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.